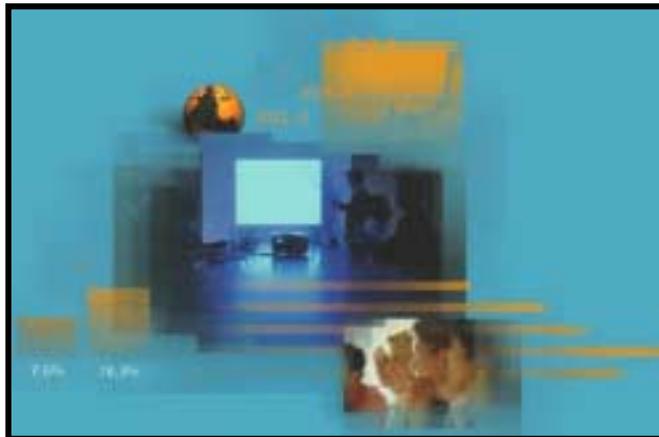


# Findings From The 2002 Wave Of e-file Taxpayer & Preparer Satisfaction Research

Task 155



Prepared for

*The Internal Revenue Service  
and  
Cossette Post Advertising*

Prepared by

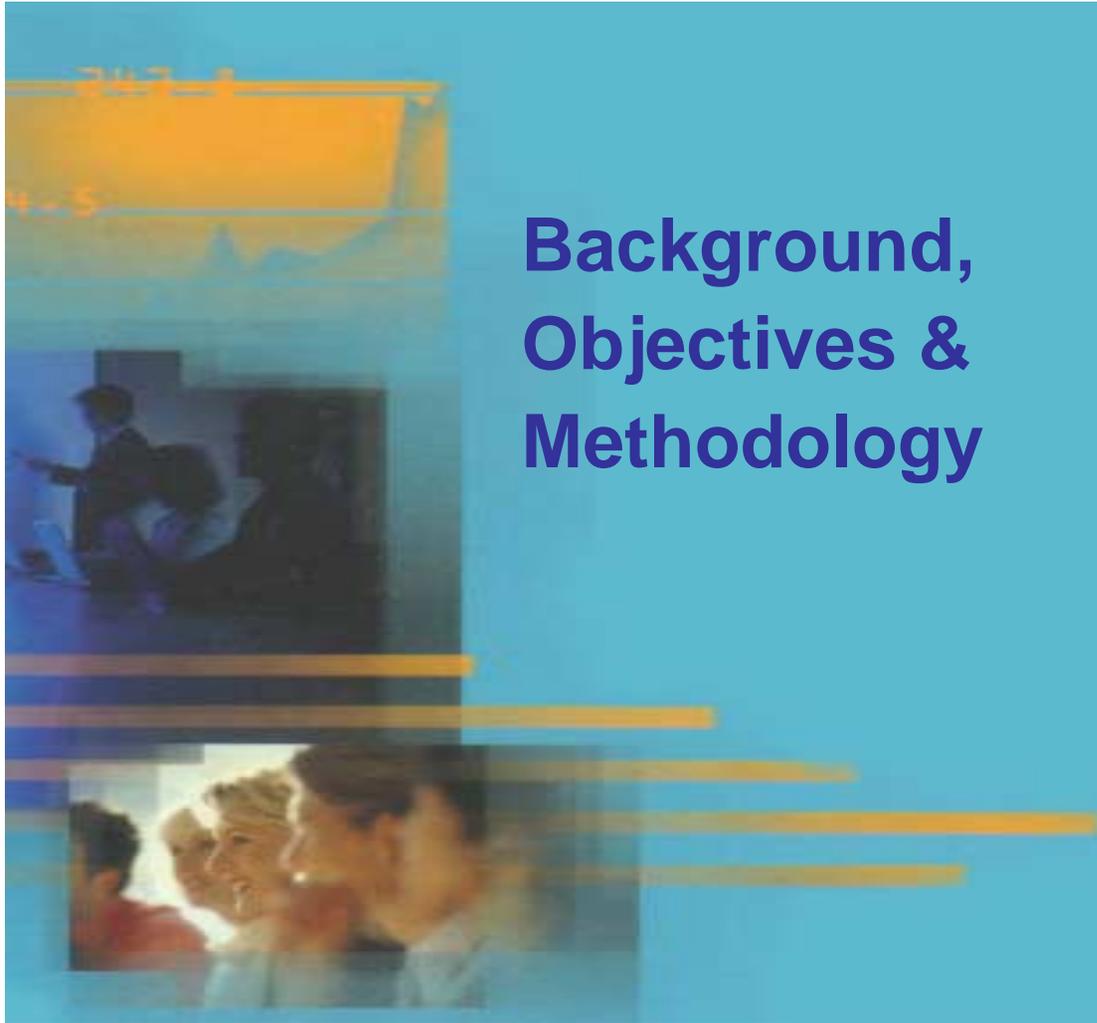
*Russell Marketing Research, Inc.*

April 2002



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**Background,  
Objectives &  
Methodology**

## Background & Objectives

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- To track progress in meeting the Y2007 80% goal, the ETA conducts customer satisfaction research **each year among two targets**:
  - **Taxpayers** -- Taxpayers in general and Taxpayers who use ETA products.
  - **And Tax Preparers** -- both *e-file* Users (EROs) and Non-Users.
- There are **two main objectives** to this research:
  - 1. Track levels of customer satisfaction with ETA products.***
  - 2. Capture e-file User and Non-User ideas about product improvement.***
- Following are **findings from the 2002 wave** of the research, with a comparison to findings from the surveys conducted in 1999, 2000 and 2001.

## Methodology

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- Each wave of research is conducted by **telephone** from RMR's national interviewing facility in Wayne NJ.
- The current wave was conducted during the period of **January 28 to March 5, 2002**.
- **Each wave consists of...**
  - ◆ **Taxpayers** -- a nationally-representative Random Sample of **1000 US Taxpayers** drawn from a computer-generated list of listed and unlisted phone HHs. All had to qualify as age 18-64, employed, and filing taxes in the previous tax year (2001).
    - With readable sub-samples of **~500 Users of each e-file product** -- secured using IRS-provided lists of each type of User.
  - ◆ **And Preparers** -- each wave includes a nationally-representative sample of **~500 e-file Users** and **~500 Non-Users**. All have to qualify as being active tax return preparers.

## Methodology (Cont'd.)

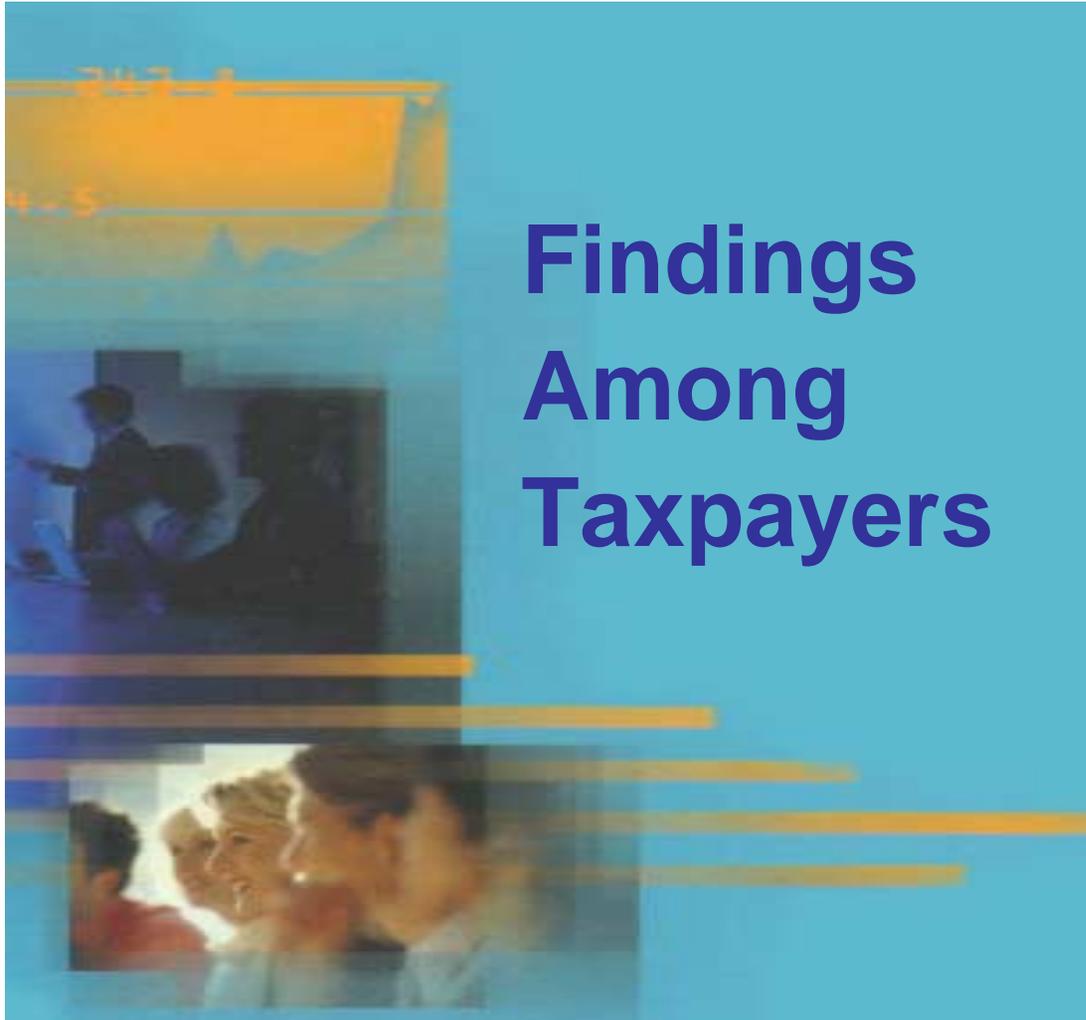
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- **Note: there was a methodological change in this year's study related to the source of lists used in screening Preparers who are Non-Users of *e-file*.**
  - In the past, both Preparers who are *e-file* Users (EROs) and the Non-Users were drawn from the IRS's Applicants Database (ADB). However, the number of Non-Users in the ADB has grown smaller each year, leaving us with an ever-decreasing number of interviews with Non-Users.
  - This year, with the IRS's new, comprehensive Practitioner Master File available for the first time, we changed Non-User sourcing as follows: first, we conducted as many Non-User interviews as possible using the ADB Non-User list and then, after exhausting that list, we moved on to the new Master File and completed the balance of the 500 Non-User interviews using that list.
  - The intent was to draw a readable sub-sample from the ADB and a readable sub-sample from the Master File and then compare results from the two to see the impact on data from using two different lists. However, the ADB list yielded only 38 total interviews -- too few for comparing results from the two lists. Instead, we have included all 500 interviews in our analysis and noted where differences vs. the past may have been due to the change in source list.
  - In subsequent waves (2003 and on), the entire Non-User sample will be drawn from the Practitioner Master File.

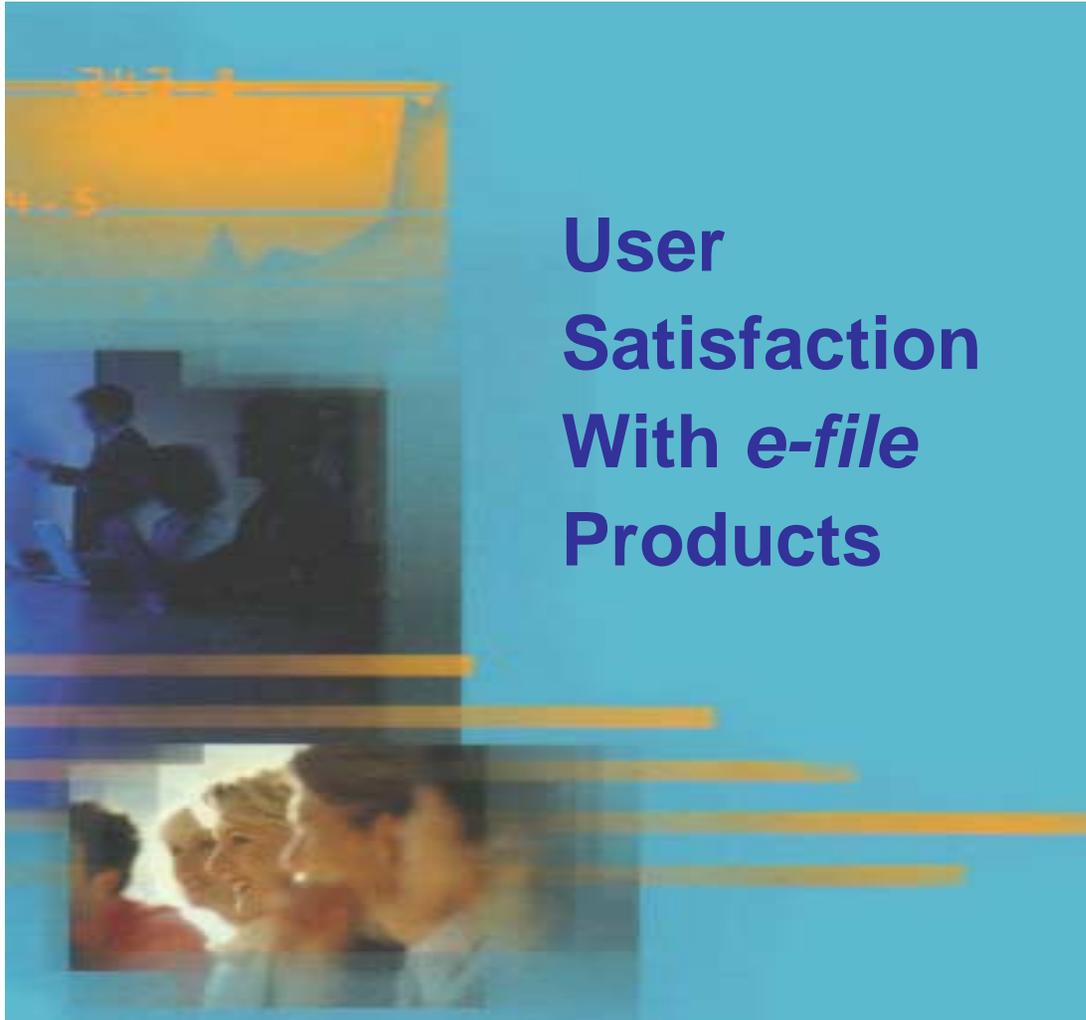
## Guide To Statistical Notation Used In Report

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- Indicates a significant increase from year to year (95% confidence level).
- Indicates a significant decrease from year to year (95% confidence level).
- ▭ Dashed boxes are also sometimes used to highlight groups of data or trends.



# Findings Among Taxpayers



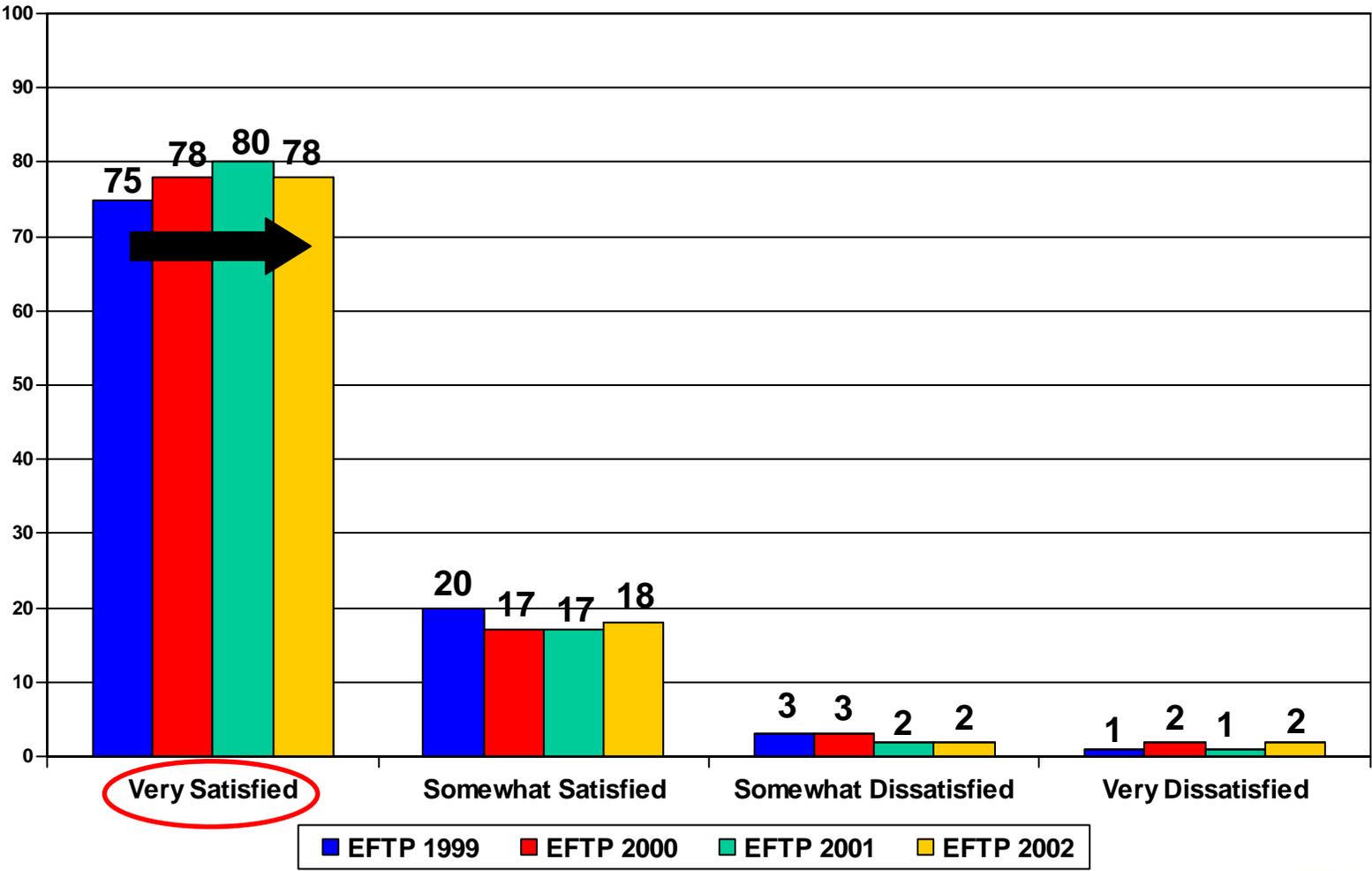
**User  
Satisfaction  
With *e-file*  
Products**

## The Satisfaction Measures

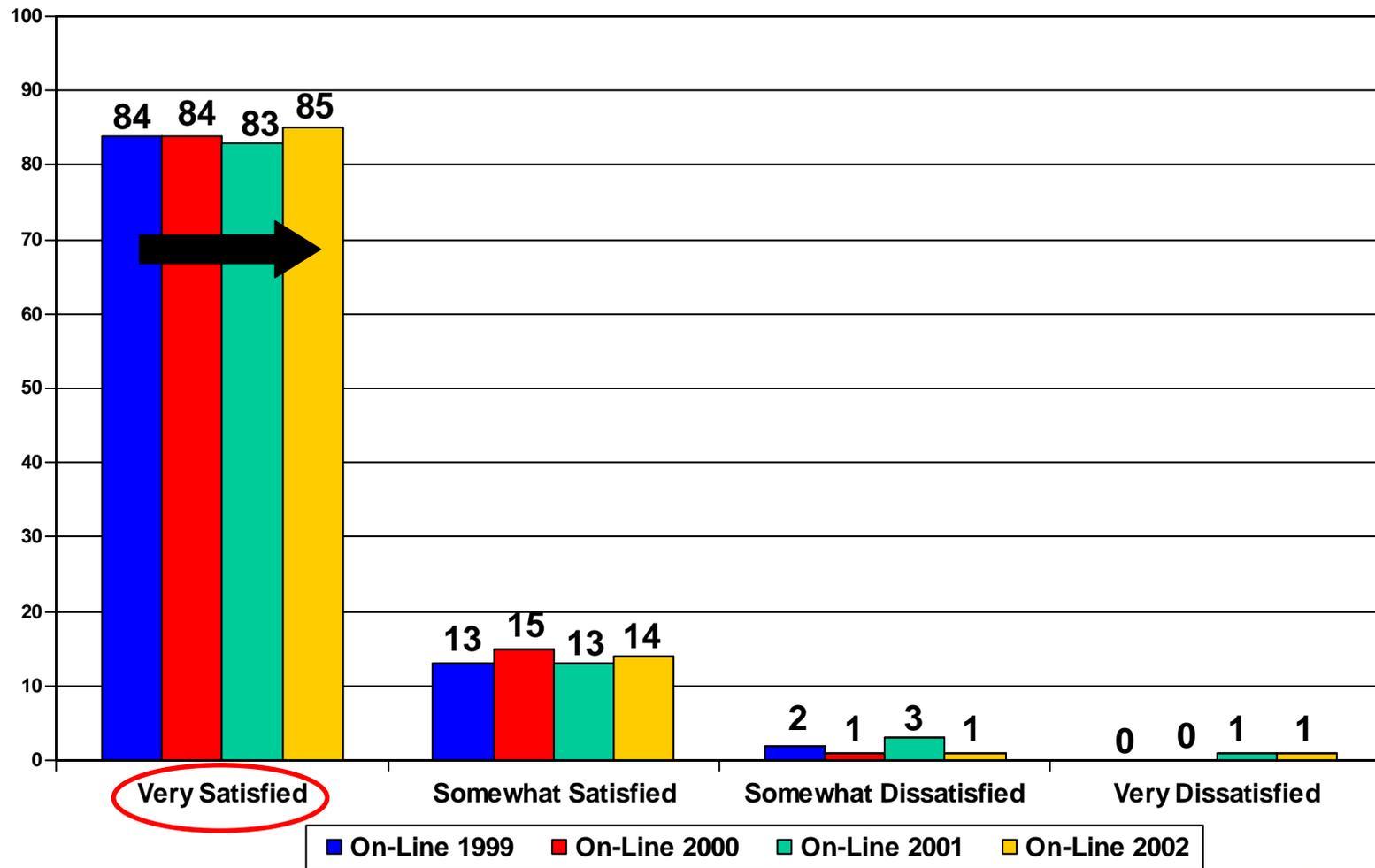
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- 2002 results show no significant changes in the high satisfaction scores of the three *e-file* products...
  - The percentage of Users rating themselves “very satisfied” remains quite stable within a range of 78-86% for each product.
  - Although it is difficult to find a comparable product among private sector products and services, the e-file satisfaction scores we see here appear to be quite high. (The RMR norm for strong satisfaction is 70-80% -- depending of course on the product category).
  - Now, the complete rating for each ETA product...

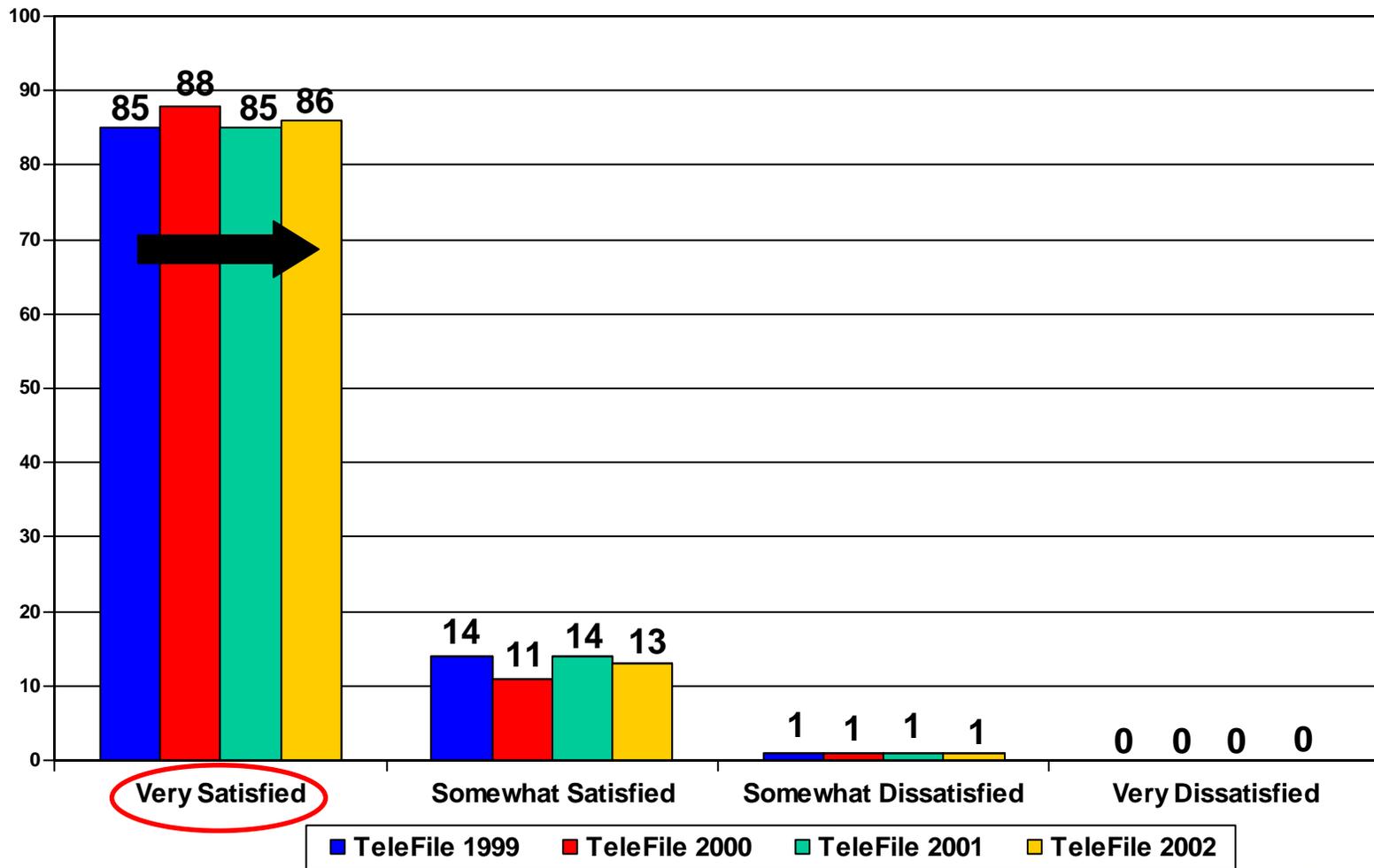
# Levels Of Satisfaction With *e-file* via Tax Professional



## Levels Of Satisfaction With e-file via On-Line Filing



## Levels Of Satisfaction With e-file via TeleFile



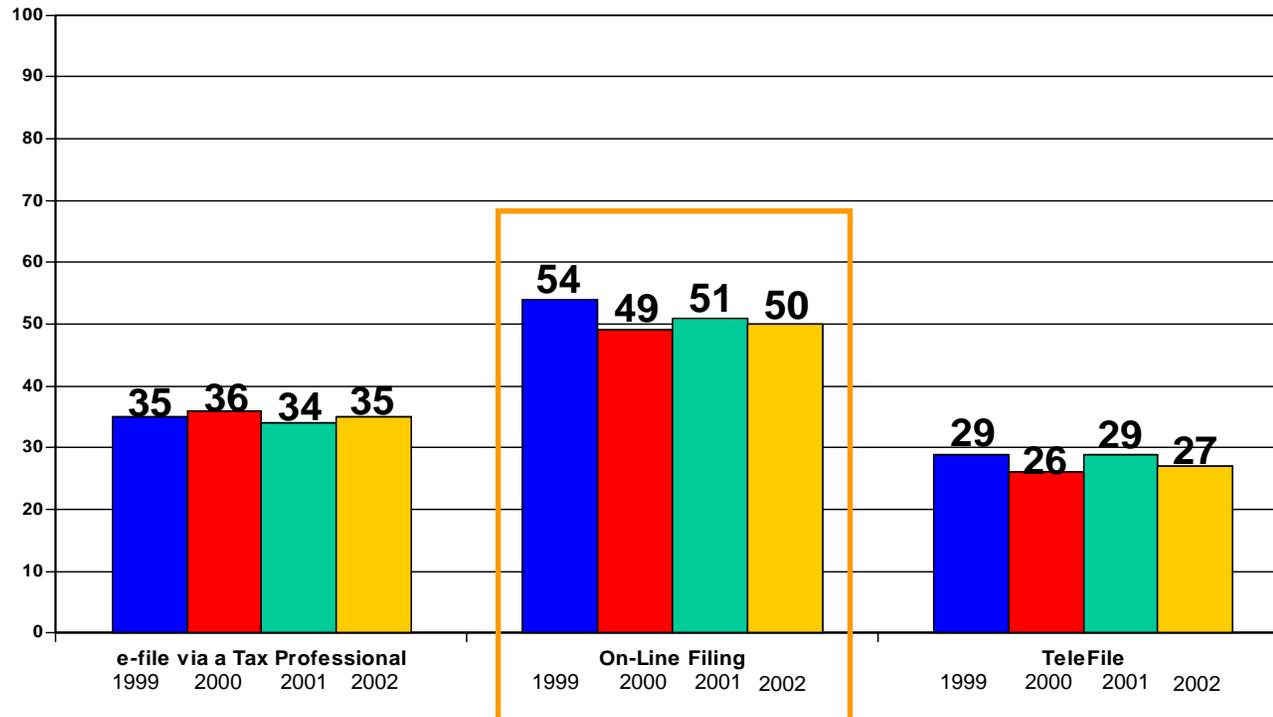
## There Is Also High Satisfaction With Most Product Characteristics

- With few changes in ratings from year to year for each product, **TeleFile and On-Line Filing** still have higher attribute ratings – on average – than **e-file via a Tax Professional** (which continues to be rated low in terms of **cost**).

| BASE:  | <u>Total EFVPP Users</u> |           |           |           | <u>Total On-Line Users</u> |           |           |           | <u>Total TeleFile Users</u> |           |           |           |
|--|--------------------------|-----------|-----------|-----------|----------------------------|-----------|-----------|-----------|-----------------------------|-----------|-----------|-----------|
|  | 1999                     | 2000      | 2001      | 2002      | 1999                       | 2000      | 2001      | 2002      | 1999                        | 2000      | 2001      | 2002      |
|  | 500                      | 502       | 502       | 502       | 500                        | 501       | 501       | 502       | 500                         | 500       | 503       | 501       |
|  | %                        | %         | %         | %         | %                          | %         | %         | %         | %                           | %         | %         | %         |
| <i>(Satisfaction) Ranked Ordered By Importance</i> |                          |           |           |           |                            |           |           |           |                             |           |           |           |
| Accuracy   | 81                       | 81        | 81        | 83        | 84                         | 86        | 87        | 86        | 82                          | 82        | 80        | 84        |
| Privacy/Security                                   | 67                       | 68        | 72        | 71        | 63                         | 67        | 70        | 68        | 74                          | 79        | 75        | 79        |
| Easy/As Little Hassle As Possible                  | 80                       | 76        | 77        | 78        | 73                         | 74        | 71        | 77        | 89                          | 90        | 89        | 88        |
| Inexpensive  | 36                       | 40        | 38        | 41        | 62                         | 67        | 65        | 68        | 95                          | 94        | 95        | 96        |
| Refund Speed                                       | 69                       | 71        | 74        | 67        | 79                         | 77        | 74        | 75        | 77                          | 75        | 76        | 69        |
| Filing Speed                                       | 82                       | 83        | 84        | 85        | 91                         | 92        | 91        | 89        | 93                          | 92        | 91        | 93        |
| Compared To Other Filing Methods                   | 73                       | 74        | 73        | 77        | 84                         | 88        | 87        | 88        | 83                          | 86        | 84        | 82        |
| <b>Average Across Original 7 Attributes</b>        | <b>70</b>                | <b>70</b> | <b>71</b> | <b>72</b> | <b>77</b>                  | <b>79</b> | <b>78</b> | <b>79</b> | <b>85</b>                   | <b>85</b> | <b>84</b> | <b>84</b> |
| Make Tax Payment Electronically                    | na                       | 62        | 58        | 51        | na                         | 55        | 57        | 54        | na                          | 53        | 52        | 48        |
| Length Of Your Tax Package                         | na                       | 48        | 47        | 46        | na                         | 40        | 46        | 45        | na                          | 66        | 62        | 63        |

## But There Is Still Room For Improvement Of Each Product...

- Each year, we find substantial proportions of Users of each product saying the product can be improved -- about 1/2 for On-Line Filing and about 1/4 to 1/3 for TeleFile and e-file via a Tax Professional.



% Of Users Each Year Who Say Product Can Be Improved

## Specifically, How Can The Products Be Improved?

- Similar to past years, we found suggestions for **On-Line Filing** centering around a need for *more ease/convenience/simplicity and lower cost*. For **TeleFile**, it was mainly make it *easier to qualify*, and for **e-file via a Tax Professional**, it was mainly *make it less expensive*. In a new mention this year, we find almost 10% of Users of each product *needing more help/advice in using the product*.

|   | <u>Total EFVPP Users</u> |             |             |             | <u>Total On-Line Users</u> |             |             |             | <u>Total TeleFile Users</u> |             |             |             |
|---|--------------------------|-------------|-------------|-------------|----------------------------|-------------|-------------|-------------|-----------------------------|-------------|-------------|-------------|
|   | <u>1999</u>              | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>1999</u>                | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>1999</u>                 | <u>2000</u> | <u>2001</u> | <u>2002</u> |
| <b>BASE:</b>                                | <b>173</b>               | <b>178</b>  | <b>172</b>  | <b>173</b>  | <b>271</b>                 | <b>247</b>  | <b>256</b>  | <b>249</b>  | <b>144</b>                  | <b>128</b>  | <b>147</b>  | <b>134</b>  |
|   | %                        | %           | %           | %           | %                          | %           | %           | %           | %                           | %           | %           | %           |
| <u>Total Making Some Suggestion</u>         | <u>89</u>                | <u>77</u>   | <u>77</u>   | <u>80</u>   | <u>88</u>                  | <u>84</u>   | <u>86</u>   | <u>83</u>   | <u>84</u>                   | <u>86</u>   | <u>80</u>   | <u>78</u>   |
| <u>Make It Easier/More Convenient (Net)</u> | <u>27</u>                | <u>19</u>   | <u>21</u>   | <u>22</u>   | <b>36</b>                  | <b>40</b>   | <b>35</b>   | <b>29</b>   | <b>53</b>                   | <b>41</b>   | <b>42</b>   | <b>39</b>   |
| Expand Qual. -- Include More People         | 5                        | 2           | 1           | 1           | 7                          | 3           | 1           | 2           | 22                          | 17          | 12          | 10          |
| Explain It Better                           | 3                        | 2           | 6           | 2           | 5                          | 7           | 10          | 5           | 10                          | 2           | 4           | 5           |
| Simplify It Generally                       | 7                        | 6           | 5           | 3           | 7                          | 13          | 10          | 7           | 6                           | 11          | 7           | 5           |
| Cut Down On The Length Of The Forms         | 5                        | 4           | 3           | 3           | 6                          | 3           | 4           | 2           | 1                           | 1           | 7           | 0           |
| Need More Help/Advice With Method           | 0                        | 0           | 0           | 8           | 0                          | 0           | 0           | 8           | 0                           | 0           | 0           | 9           |
| <u>Speed Things Up (Net)</u>                | <u>26</u>                | <u>21</u>   | <u>22</u>   | <u>17</u>   | <u>13</u>                  | <u>9</u>    | <u>15</u>   | <u>10</u>   | <u>19</u>                   | <u>20</u>   | <u>16</u>   | <u>12</u>   |
| Faster Refunds                              | 11                       | 8           | 8           | 6           | 2                          | 2           | 3           | 4           | 6                           | 6           | 4           | 5           |
| Faster Submission Process                   | 5                        | 2           | 7           | 2           | 7                          | 3           | 6           | 2           | 6                           | 4           | 4           | 1           |
| Speed Up The Process Generally              | 9                        | 11          | 8           | 9           | 3                          | 4           | 6           | 4           | 5                           | 7           | 9           | 6           |
| <u>Others -- Make It Less Expensive</u>     | <b>34</b>                | <b>29</b>   | <b>18</b>   | <b>23</b>   | <b>14</b>                  | <b>13</b>   | <b>15</b>   | <b>15</b>   | 0                           | 0           | 0           | 0           |
| Eliminate Third Parties                     | 2                        | 2           | 2           | 2           | 14                         | 7           | 10          | 6           | 0                           | 0           | 0           | 0           |

## How Can The Products Be Improved? (Cont'd.)

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- To be sure we are covering all the areas of possible product improvement, we conduct Gap Analysis each year on the Importance and Satisfaction ratings.
- Here, we compare User *needs*, as expressed in their ratings of what they consider “very important” in a filing method vs. their satisfaction with key attributes of the method they use -- i.e., the attributes they say they are “very satisfied” with.
- Differences between these two ratings show us:
  - Where a product should be improved (**a negative gap of 10+ points**).
  - And where a product is performing well or possibly even over-performing (**a positive gap of 10+ points**).
- The following charts show us the negative and positive gaps for each *e-file* product.

# Gaps Between Needs & Satisfaction – e-file w/Tax Professional

% Rating Each Characteristic “Really Important” vs. % “Very” Satisfied For Each Product

| BASE:                                      | 1999 EFVPP USERS                     |                                    |              | 2000 EFVPP USERS                     |                                    |              | 2001 EFVPP USERS                     |                                    |              | 2002 EFVPP USERS                     |                                    |              |
|--|--------------------------------------|------------------------------------|--------------|--------------------------------------|------------------------------------|--------------|--------------------------------------|------------------------------------|--------------|--------------------------------------|------------------------------------|--------------|
|  | REALLY<br>IMPOR-<br>TANT<br>500<br>% | VERY<br>SATIS-<br>FIED<br>500<br>% | GAP<br>+/(-) | REALLY<br>IMPOR-<br>TANT<br>500<br>% | VERY<br>SATIS-<br>FIED<br>500<br>% | GAP<br>+/(-) | REALLY<br>IMPOR-<br>TANT<br>502<br>% | VERY<br>SATIS-<br>FIED<br>502<br>% | GAP<br>+/(-) | REALLY<br>IMPOR-<br>TANT<br>502<br>% | VERY<br>SATIS-<br>FIED<br>502<br>% | GAP<br>+/(-) |
| <b><u>Importance vs. Satisfaction</u></b>  |                                      |                                    |              |                                      |                                    |              |                                      |                                    |              |                                      |                                    |              |
| <b>Accuracy</b>                            | <b>94</b>                            | <b>81</b>                          | <b>(13)</b>  | <b>95</b>                            | <b>81</b>                          | <b>(14)</b>  | <b>94</b>                            | <b>81</b>                          | <b>(13)</b>  | <b>94</b>                            | <b>83</b>                          | <b>(11)</b>  |
| <b>Privacy/Security</b>                    | <b>92</b>                            | <b>67</b>                          | <b>(25)</b>  | <b>90</b>                            | <b>68</b>                          | <b>(22)</b>  | <b>91</b>                            | <b>72</b>                          | <b>(19)</b>  | <b>89</b>                            | <b>71</b>                          | <b>(18)</b>  |
| Easy/As Little Hassle As Possible          | 81                                   | 80                                 | (1)          | 81                                   | 76                                 | (5)          | 80                                   | 77                                 | (3)          | 82                                   | 78                                 | (4)          |
| <b>Inexpensive</b>                         | <b>72</b>                            | <b>36</b>                          | <b>(36)</b>  | <b>72</b>                            | <b>40</b>                          | <b>(32)</b>  | <b>74</b>                            | <b>38</b>                          | <b>(36)</b>  | <b>65</b>                            | <b>41</b>                          | <b>(24)</b>  |
| Refund Speed                               | 73                                   | 69                                 | (4)          | 78                                   | 71                                 | (7)          | 73                                   | 74                                 | +1           | 69                                   | 67                                 | (2)          |
| <b>Filing Speed</b>                        | <b>72</b>                            | <b>82</b>                          | <b>+10</b>   | 80                                   | 83                                 | +3           | <b>73</b>                            | <b>84</b>                          | <b>+11</b>   | <b>68</b>                            | <b>85</b>                          | <b>+17</b>   |
| Compared To Other Methods Of Filing        | na                                   | 73                                 | x            | na                                   | 74                                 | x            | na                                   | 73                                 | x            | na                                   | 77                                 | x            |
| <b>Able To Make Payment Electronically</b> | <b>na</b>                            | <b>na</b>                          | <b>x</b>     | <b>47</b>                            | <b>62</b>                          | <b>+15</b>   | <b>43</b>                            | <b>58</b>                          | <b>+15</b>   | <b>36</b>                            | <b>51</b>                          | <b>+15</b>   |
| Length Of Tax Package                      | na                                   | na                                 | x            | na                                   | 48                                 | x            | na                                   | 47                                 | x            | na                                   | 46                                 | x            |

Red = Under-Performing vs. Needs    Green = Over-Performing vs. Needs



## Gaps Between Needs & Satisfaction – On-Line Filing

% Rating Each Characteristic “Really Important” vs. % “Very” Satisfied For Each Product

| BASE:                                     | 1999 ON-LINE USERS |             |             | 2000 ON-LINE USERS |             |             | 2001 ON-LINE USERS |             |             | 2002 ON-LINE USERS |             |             |
|---|--------------------|-------------|-------------|--------------------|-------------|-------------|--------------------|-------------|-------------|--------------------|-------------|-------------|
|   | REALLY IMPOR-      | VERY SATIS- | GAP +/-     | REALLY IMPOR-      | VERY SATIS- | GAP +/-     | REALLY IMPOR-      | VERY SATIS- | GAP +/-     | REALLY IMPOR-      | VERY SATIS- | GAP +/-     |
|   | TANT               | FIED        |             | TANT               | FIED        |             | TANT               | FIED        |             | TANT               | FIED        |             |
|   | 500 %              | 500 %       |             | 500 %              | 500 %       |             | 501 %              | 501 %       |             | 502 %              | 502 %       |             |
| <b><u>Importance vs. Satisfaction</u></b> |                    |             |             |                    |             |             |                    |             |             |                    |             |             |
| Accuracy                                  | 92                 | 84          | (8)         | 95                 | 86          | (9)         | 92                 | 87          | (5)         | 95                 | 86          | (9)         |
| <b>Privacy/Security</b>                   | <b>87</b>          | <b>63</b>   | <b>(24)</b> | <b>93</b>          | <b>67</b>   | <b>(26)</b> | <b>91</b>          | <b>70</b>   | <b>(21)</b> | <b>90</b>          | <b>68</b>   | <b>(22)</b> |
| <b>Easy/As Little Hassle As Possible</b>  | <b>82</b>          | <b>73</b>   | <b>(9)</b>  | <b>84</b>          | <b>74</b>   | <b>(10)</b> | <b>84</b>          | <b>71</b>   | <b>(13)</b> | 79                 | 77          | (2)         |
| Inexpensive                               | 64                 | 62          | (2)         | 72                 | 67          | (5)         | 67                 | 65          | (2)         | 63                 | 68          | +5          |
| Refund Speed                              | 73                 | 79          | +6          | 75                 | 77          | +2          | 71                 | 74          | +3          | 73                 | 75          | +2          |
| <b>Filing Speed</b>                       | <b>74</b>          | <b>91</b>   | <b>+17</b>  | <b>80</b>          | <b>92</b>   | <b>+12</b>  | <b>76</b>          | <b>91</b>   | <b>+15</b>  | <b>73</b>          | <b>89</b>   | <b>+16</b>  |
| Compared To Other Methods Of Filing       | na                 | 84          | x           | na                 | 88          | x           | na                 | 87          | x           | na                 | 88          | x           |
| Being Able To Make Payment Elec.          | na                 | na          | x           | 53                 | 55          | +2          | 53                 | 57          | +4          | <b>43</b>          | <b>54</b>   | <b>+11</b>  |
| Length Of Tax Package                     | na                 | na          | x           | na                 | 40          | x           | na                 | 46          | x           | na                 | 45          | x           |

**Red = Under-Performing vs. Needs    Green = Over-Performing vs. Needs**



## Gaps Between Needs & Satisfaction – TeleFile

**% Rating Each Characteristic “Really Important” vs. % “Very” Satisfied For Each Product**

| BASE:                                      | 1999 TELEFILE USERS      |                        |             | 2000 TELEFILE USERS      |                        |             | 2001 TELEFILE USERS      |                        |             | 2002 TELEFILE USERS      |                        |             |
|--|--------------------------|------------------------|-------------|--------------------------|------------------------|-------------|--------------------------|------------------------|-------------|--------------------------|------------------------|-------------|
|  | REALLY<br>IMPOR-<br>TANT | VERY<br>SATIS-<br>FIED | GAP         |
|  | 500<br>%                 | 500<br>%               | +/(-)       | 500<br>%                 | 500<br>%               | +/(-)       | 503<br>%                 | 503<br>%               | +/(-)       | 501<br>%                 | 501<br>%               | +/(-)       |
| <b><u>Importance vs. Satisfaction</u></b>  |                          |                        |             |                          |                        |             |                          |                        |             |                          |                        |             |
| <b>Accuracy</b>                            | <b>95</b>                | <b>82</b>              | <b>(13)</b> | <b>94</b>                | <b>82</b>              | <b>(12)</b> | <b>93</b>                | <b>80</b>              | <b>(13)</b> | <b>95</b>                | <b>84</b>              | <b>(11)</b> |
| <b>Privacy/Security</b>                    | <b>84</b>                | <b>74</b>              | <b>(10)</b> | 87                       | 79                     | (8)         | 84                       | 75                     | (9)         | 88                       | 79                     | (9)         |
| Easy/As Little Hassle As Possible          | 86                       | 89                     | +3          | 87                       | 90                     | +3          | 84                       | 89                     | +5          | 84                       | 88                     | +4          |
| <b>Inexpensive</b>                         | <b>73</b>                | <b>95</b>              | <b>+22</b>  | <b>75</b>                | <b>94</b>              | <b>+19</b>  | <b>71</b>                | <b>95</b>              | <b>+24</b>  | <b>70</b>                | <b>96</b>              | <b>+26</b>  |
| Refund Speed                               | 73                       | 77                     | +4          | 72                       | 75                     | +3          | 73                       | 76                     | +3          | 70                       | 69                     | (1)         |
| <b>Filing Speed</b>                        | <b>79</b>                | <b>93</b>              | <b>+14</b>  | <b>81</b>                | <b>92</b>              | <b>+11</b>  | <b>74</b>                | <b>91</b>              | <b>+17</b>  | <b>74</b>                | <b>93</b>              | <b>+19</b>  |
| Compared To Other Methods Of Filing        | na                       | 83                     | x           | na                       | 86                     | x           | na                       | 84                     | x           | na                       | 82                     | x           |
| <b>Able To Make Payment Electronically</b> | na                       | na                     | x           | 45                       | 53                     | +8          | <b>39</b>                | <b>52</b>              | <b>+13</b>  | <b>37</b>                | <b>48</b>              | <b>+11</b>  |
| Length Of Tax Package                      | na                       | na                     | x           | na                       | 66                     | x           | na                       | 62                     | x           | na                       | 63                     | x           |

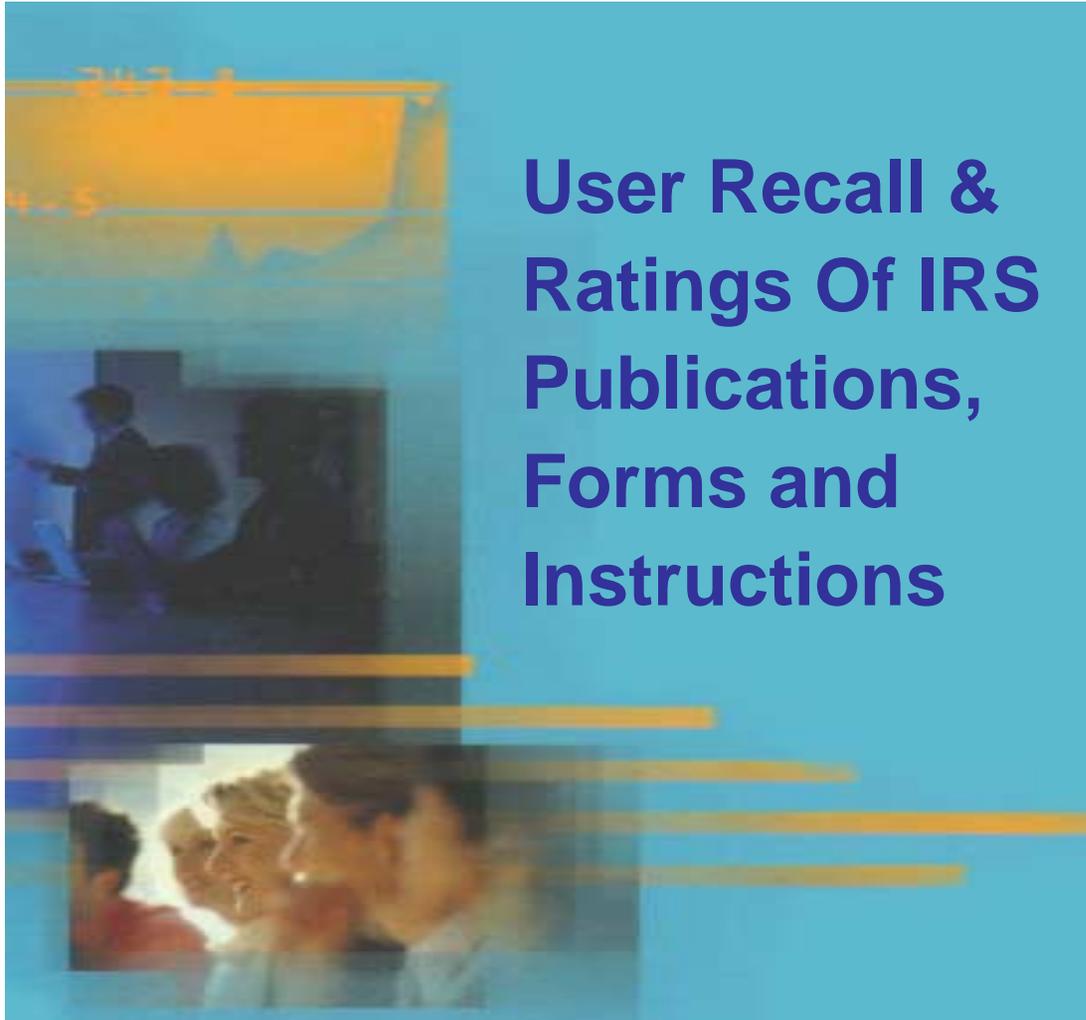
**Red = Under-Performing vs. Needs    Green = Over-Performing vs. Needs**



## However, There ARE Clear Product Strengths To Communicate

- As we find each year, virtually every User can tell us something they “like” about the e-file product they use – with the strengths of all three products still being speed (in filing and in refund) and ease/convenience. In addition, e-file via a Tax Professional and On-Line Filing have strength in terms of accuracy.

| BASE:                              | <u>Total EFVPP Users</u> |           |           |           | <u>Total On-Line Users</u> |           |           |           | <u>Total TeleFile Users</u> |           |           |            |
|------------------------------------|--------------------------|-----------|-----------|-----------|----------------------------|-----------|-----------|-----------|-----------------------------|-----------|-----------|------------|
|                                    | 1999                     | 2000      | 2001      | 2002      | 1999                       | 2000      | 2001      | 2002      | 1999                        | 2000      | 2001      | 2002       |
|                                    | 500                      | 502       | 502       | 502       | 500                        | 501       | 501       | 502       | 500                         | 500       | 503       | 501        |
|                                    | %                        | %         | %         | %         | %                          | %         | %         | %         | %                           | %         | %         | %          |
| <u>Specific Likes</u>              |                          |           |           |           |                            |           |           |           |                             |           |           |            |
| <u>Total Like Something</u>        | <u>97</u>                | <u>97</u> | <u>97</u> | <u>97</u> | <u>99</u>                  | <u>99</u> | <u>99</u> | <u>99</u> | <u>99</u>                   | <u>99</u> | <u>99</u> | <u>100</u> |
| <u>Speed (Net)</u>                 | <u>60</u>                | <u>69</u> | <u>67</u> | <u>64</u> | <u>53</u>                  | <u>60</u> | <u>60</u> | <u>55</u> | <u>51</u>                   | <u>67</u> | <u>65</u> | <u>60</u>  |
| Quick Refund                       | 31                       | 27        | 29        | 26        | 23                         | 19        | 17        | 19        | 20                          | 22        | 19        | 13         |
| Fast/Quick Way To File             | 30                       | 35        | 30        | 35        | 30                         | 31        | 31        | 32        | 32                          | 40        | 42        | 46         |
| <u>Ease/Convenience (Net)</u>      | <u>53</u>                | <u>54</u> | <u>47</u> | <u>45</u> | <u>79</u>                  | <u>76</u> | <u>77</u> | <u>75</u> | <u>82</u>                   | <u>83</u> | <u>85</u> | <u>79</u>  |
| It's Just Easy/Just Convenient     | 28                       | 30        | 22        | 27        | 55                         | 40        | 37        | 43        | 66                          | 60        | 55        | 62         |
| Someone Else Does The Work For You | 16                       | 13        | 11        | 10        | 3                          | 5         | 2         | 1         | 5                           | 2         | 4         | 2          |
| <u>More Accurate (Net)</u>         | <u>20</u>                | <u>15</u> | <u>13</u> | <u>17</u> | <u>6</u>                   | <u>14</u> | <u>17</u> | <u>13</u> | <u>2</u>                    | <u>4</u>  | <u>6</u>  | <u>4</u>   |
| Total Like Nothing                 | 3                        | 2         | 1         | 2         | 1                          | 1         | 1         | 0         | 1                           | 0         | 0         | 0          |



# User Recall & Ratings Of IRS Publications, Forms and Instructions

## Recall of Publications/Forms/Instructions

- As might be expected, recall of publications, forms, or instructions remains **low** for **e-file via a Tax Professional and On-Line Filing** -- taxpayers using these filing methods do not receive publications, forms or instructions. For **TeleFile** (where users do receive forms and instructions), recall and satisfaction are still strong.

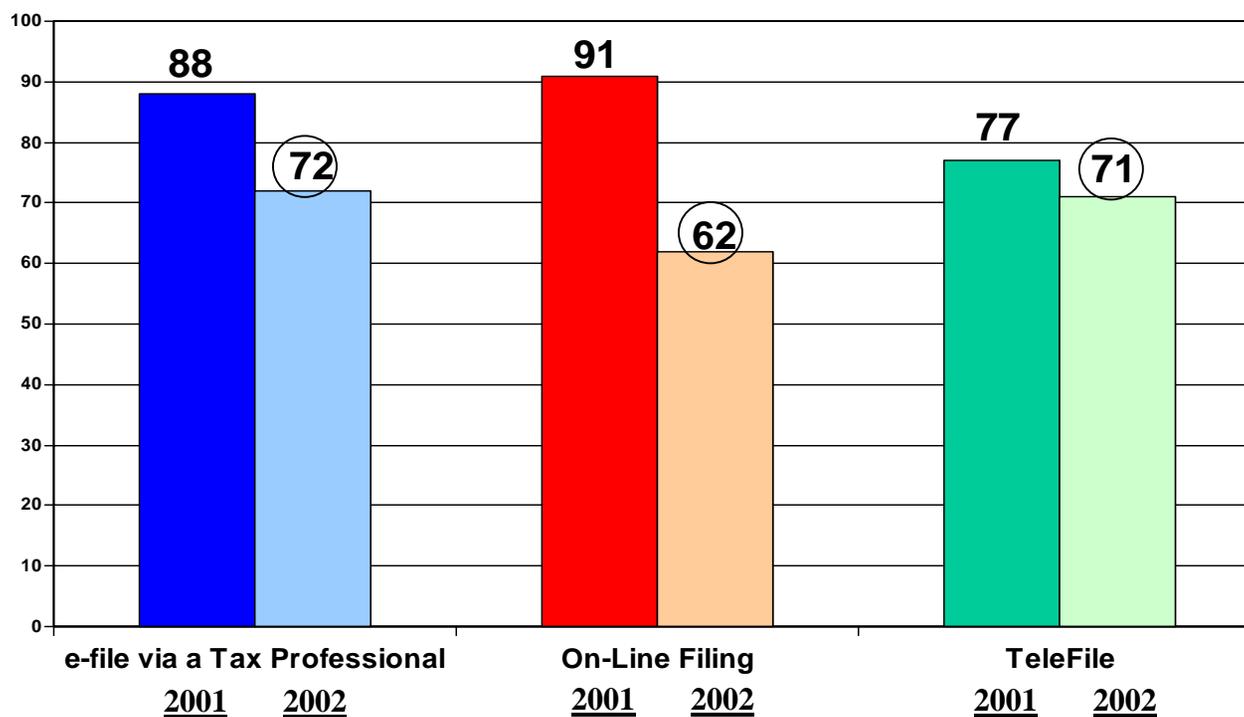
| BASE:   | <u>Total EFVPP Users</u> |             |             |             | <u>Total On-Line Users</u> |             |             |             | <u>Total TeleFile Users</u> |             |             |             |
|---|--------------------------|-------------|-------------|-------------|----------------------------|-------------|-------------|-------------|-----------------------------|-------------|-------------|-------------|
|   | <u>1999</u>              | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>1999</u>                | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>1999</u>                 | <u>2000</u> | <u>2001</u> | <u>2002</u> |
|   | 500                      | 502         | 502         | 502         | 500                        | 501         | 501         | 502         | 500                         | 500         | 503         | 501         |
|   | %                        | %           | %           | %           | %                          | %           | %           | %           | %                           | %           | %           | %           |
| <b><u>Recall Of Publications/Forms/Instructions</u></b> |                          |             |             |             |                            |             |             |             |                             |             |             |             |
| Recall Pubs/Forms/Instructions                          | 27                       | 33          | 29          | 29          | 50                         | 51          | 49          | 51          | <b>73</b>                   | <b>66</b>   | <b>71</b>   | <b>66</b>   |
| Do Not Recall Them                                      | 73                       | 62          | 66          | 66          | 50                         | 47          | 46          | 45          | 27                          | 30          | 26          | 32          |
| <b><u>Helpfulness Of Pubs/Forms/Instructions</u></b>    |                          |             |             |             |                            |             |             |             |                             |             |             |             |
| Base:   | (135)                    | (167)       | (144)       | (146)       | (249)                      | (254)       | (244)       | (254)       | (367)                       | (331)       | (358)       | (330)       |
| Very Helpful  | 45                       | 38          | 35          | 30          | 30                         | 39          | 30          | 36          | <b>67</b>                   | <b>73</b>   | <b>72</b>   | <b>71</b>   |
| Somewhat Helpful  | 33                       | 41          | 34          | 37          | 43                         | 39          | 43          | 35          | 27                          | 23          | 22          | 25          |
| Not Very Helpful  | 9                        | 8           | 10          | 6           | 11                         | 9           | 14          | 13          | 3                           | 2           | 2           | 2           |
| Not At All Helpful                                      | 7                        | 7           | 10          | 14          | 8                          | 8           | 6           | 7           | 1                           | 1           | 2           | 1           |
| Don't Know/Don't Recall                                 | 7                        | 6           | 10          | 13          | 8                          | 5           | 8           | 9           | 2                           | 1           | 2           | 1           |



# User Repeat Rates and TeleFile Migration

## Claimed Repeat Use Is Down In The Current Wave...

- In the second year of the migration measure, we see significant decreases in claimed repeat use of each e-file product -- especially for On-Line Filing.

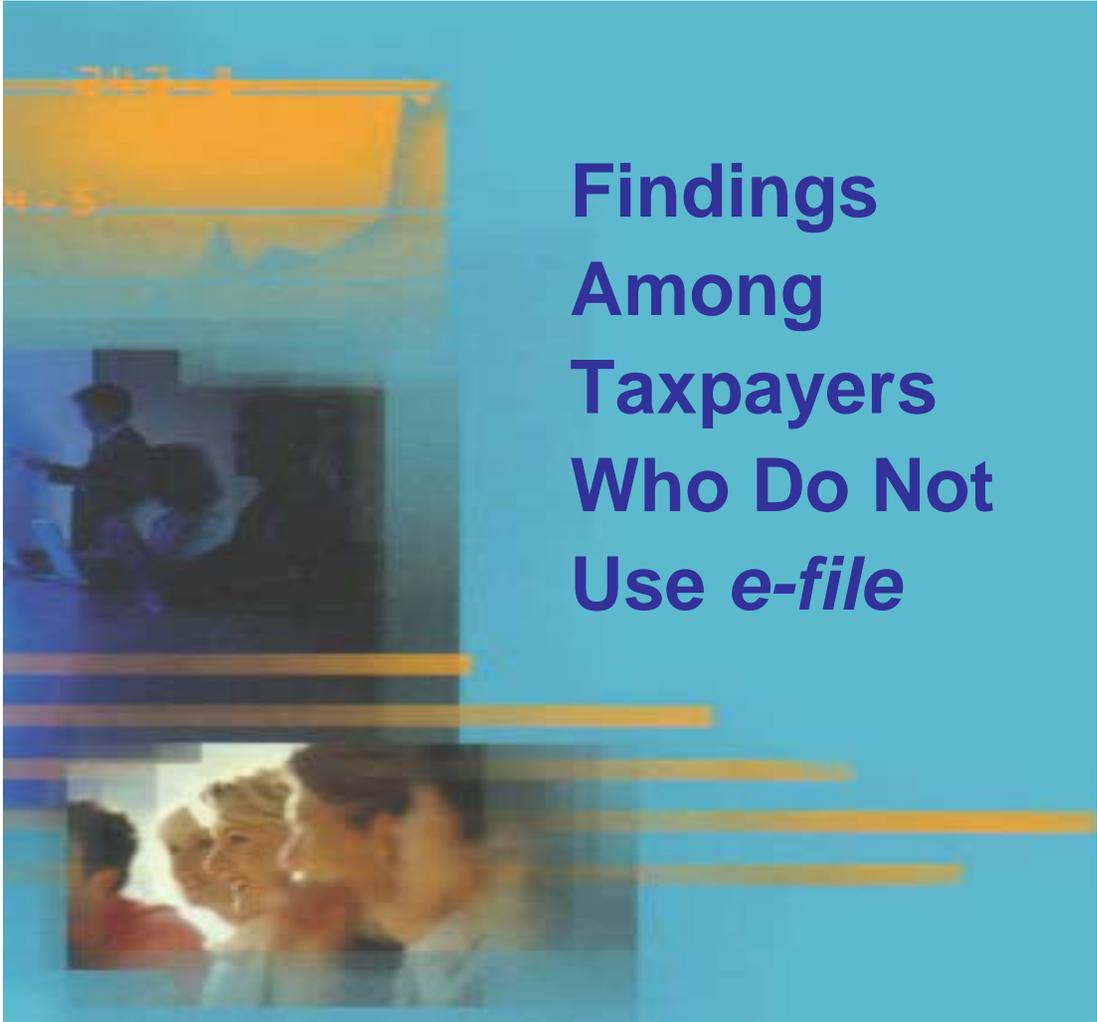


## Issue: Why Don't TeleFile Users Migrate To Other Products?

- The main reasons for TeleFile Users not migrating to other e-file products were very similar to those found in past years...

| BASE: Total TeleFile Users   | <u>Why Not Use EFVPP</u> |           |           |           | <u>Why Not Use On-Line</u> |           |           |           |
|--|--------------------------|-----------|-----------|-----------|----------------------------|-----------|-----------|-----------|
|  | 1999                     | 2000      | 2001      | 2002      | 1999                       | 2000      | 2001      | 2002      |
|  | 500                      | 500       | 503       | 501       | 500                        | 500       | 503       | 501       |
|  | %                        | %         | %         | %         | %                          | %         | %         | %         |
| <b><u>Total Making Some Suggestion</u></b>                                     | <b>91</b>                | <b>85</b> | <b>86</b> | <b>84</b> | <b>92</b>                  | <b>87</b> | <b>87</b> | <b>87</b> |
| <b><u>Prefer TeleFile -- It's Faster/Easier/Like To Do It Myself (Net)</u></b> | <b>34</b>                | <b>31</b> | <b>26</b> | <b>28</b> | <b>21</b>                  | <b>21</b> | <b>22</b> | <b>23</b> |
| <u>Dislike The Optional Product (Paid Prep/On-Line) (Net)</u>                  | <u>29</u>                | <u>27</u> | <u>32</u> | <u>32</u> | <u>12</u>                  | <u>16</u> | <u>18</u> | <u>16</u> |
| <b><u>Don't Trust It/Lack Of Security</u></b>                                  | <b>2</b>                 | <b>1</b>  | <b>1</b>  | <b>1</b>  | <b>8</b>                   | <b>8</b>  | <b>10</b> | <b>9</b>  |
| <u>It's Too Complicated/Intimidating</u>                                       | 0                        | 0         | 0         | 0         | 2                          | 3         | 4         | 3         |
| <b><u>It Costs Money/You Have To Buy Something</u></b>                         | <b>27</b>                | <b>26</b> | <b>30</b> | <b>31</b> | 2                          | 2         | 4         | 4         |
| <b><u>Did Not Have Access To A PC Then</u></b>                                 | 0                        | 0         | 0         | 0         | <b>38</b>                  | <b>31</b> | <b>30</b> | <b>26</b> |
| <u>Was Not On-Line/On Internet At The Time</u>                                 | 0                        | 0         | 0         | 0         | 7                          | 5         | 5         | 5         |
| <u>Was Not Aware Of It At The Time</u>   | 10                       | 2         | 2         | 3         | 8                          | 8         | 7         | 7         |
| <b><u>My Tax Situation/Refund Amount Doesn't Justify Using It</u></b>          | <b>22</b>                | <b>19</b> | <b>14</b> | <b>22</b> | 3                          | 4         | 1         | 3         |
| <u>Don't Know</u>  | 9                        | 15        | 14        | 16        | 8                          | 13        | 13        | 13        |

- 49% of TeleFile Users said they recalled reading about the other products in their TeleFile booklets (up slightly vs. 44-46% in each of the last two years).



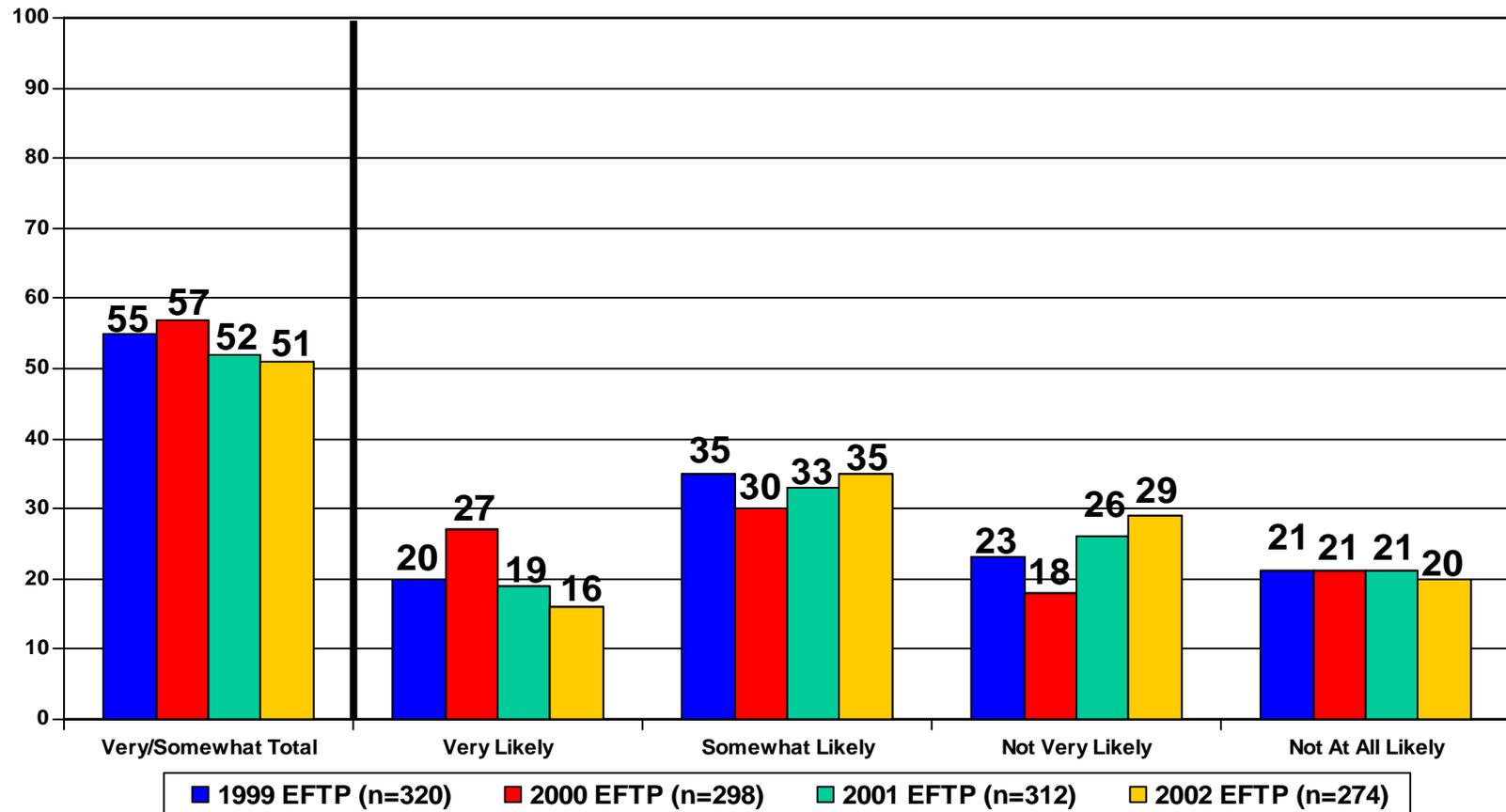
**Findings  
Among  
Taxpayers  
Who Do Not  
Use *e-file***



**Non-User  
Reaction To  
*e-file* Product  
Concepts**

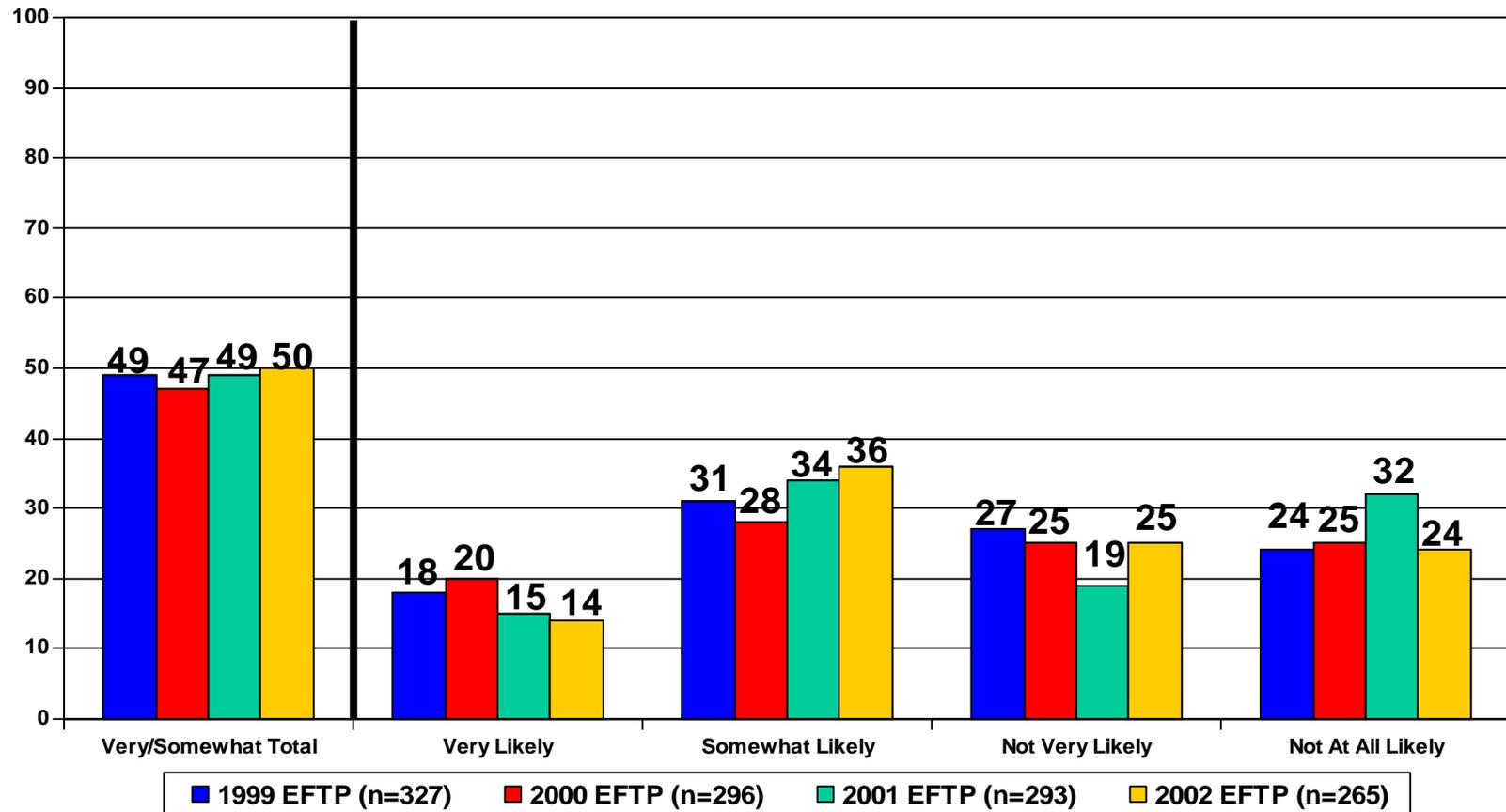
## Non-User Likelihood Of Use Of *e-file* via Tax Professional

- Each year, we expose qualified Non-Users to descriptions of the ETA products and ask their likelihood of use. For *e-file* via a Tax Professional, likelihood of use in 2002 was 51% -- or just about the same as last year and close to what we've found each year (52-57%).



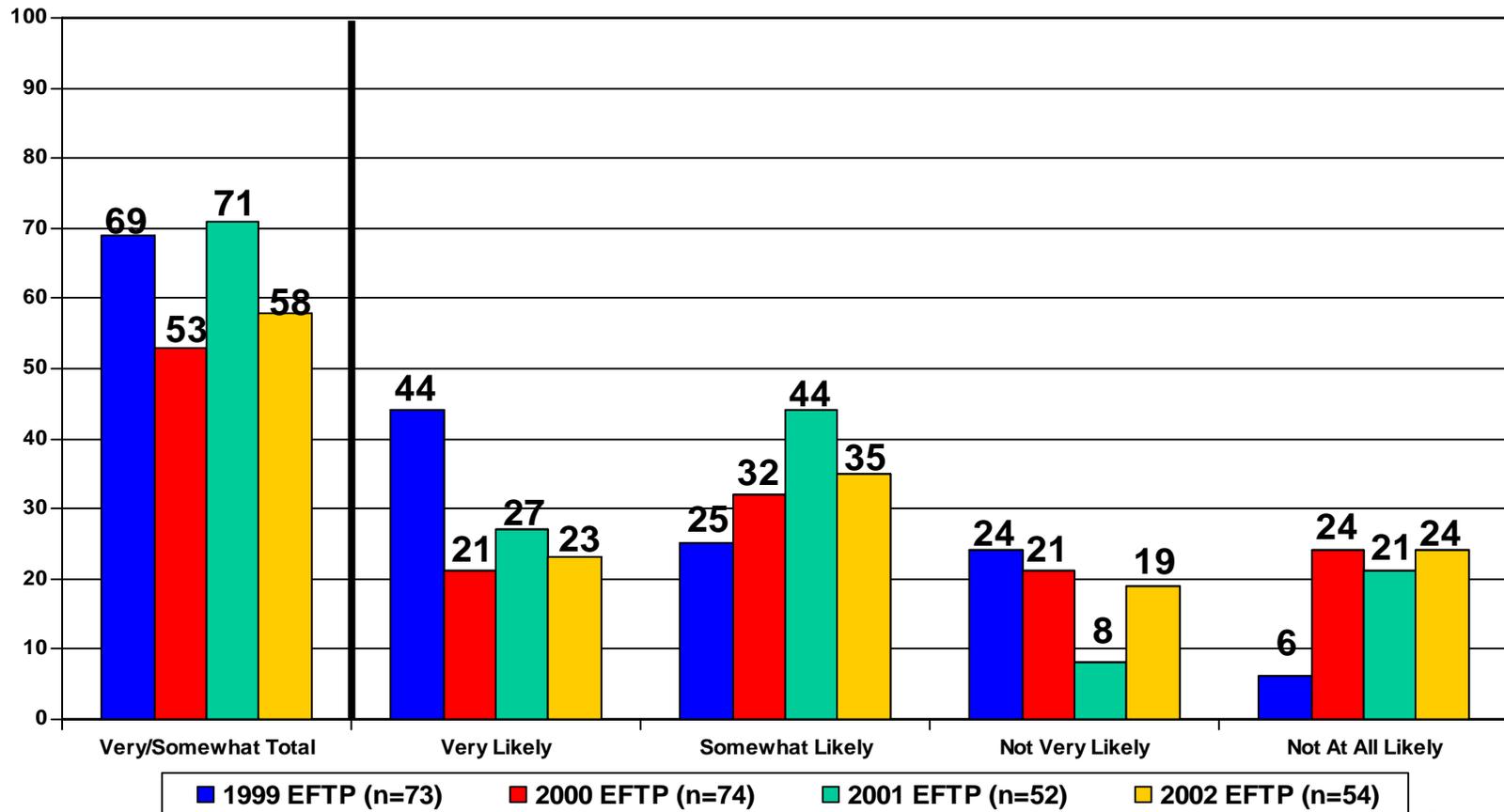
## Non-User Likelihood Of Use Of *On-Line Filing*

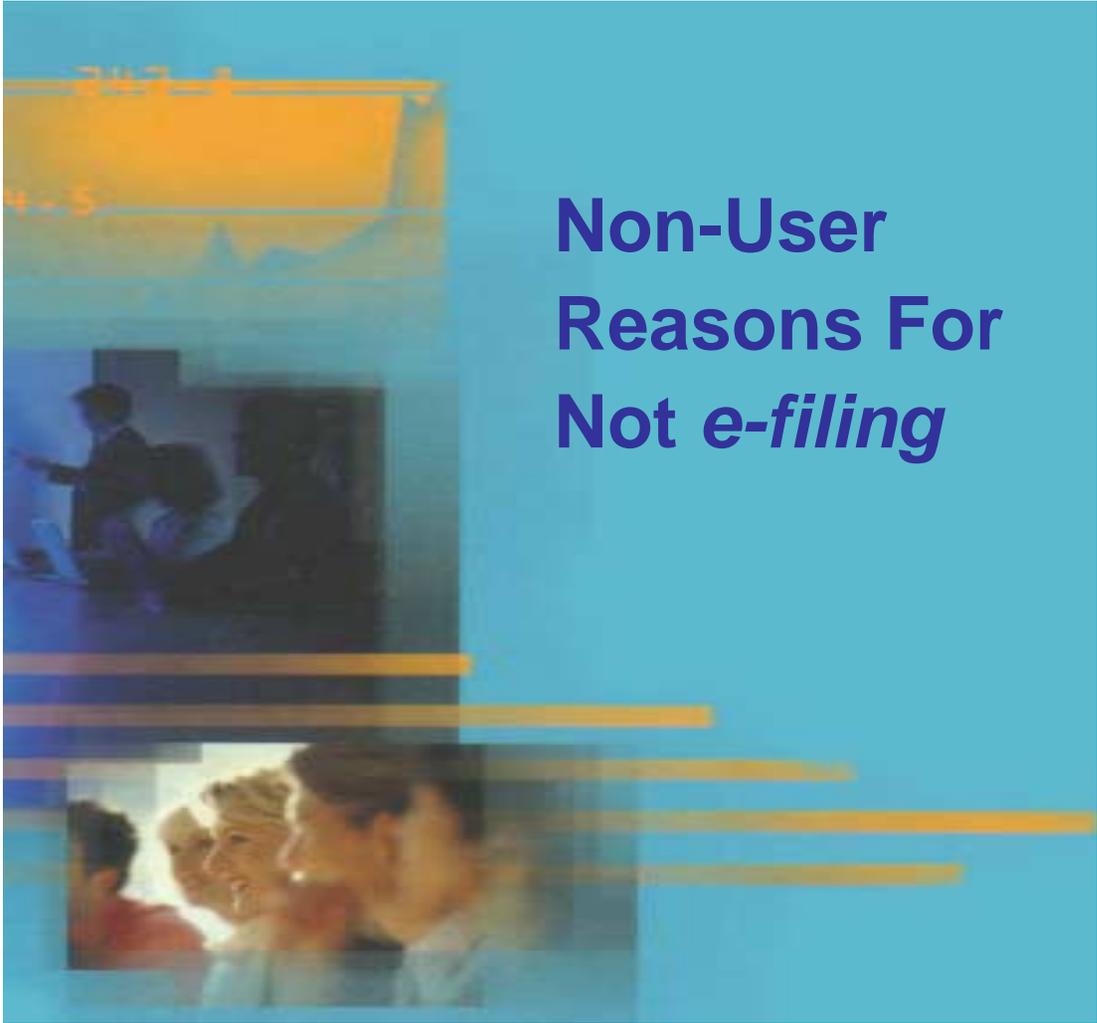
- For On-Line Filing, likelihood of use in 2002 was 50% -- also virtually the same as what we found in the past three waves (47-49%).



## Non-User Likelihood Of Use Of *TeleFile*

- For TeleFile, the base of qualified Non-Users (self-prepared paper filers who filed 1040EZ) is always low and subject to volatility. As a result, we find **sharp shifts in likelihood of use** for this product from year to year.





**Non-User  
Reasons For  
Not *e-filing***

## What Are The Main Barriers To Use Of e-file?

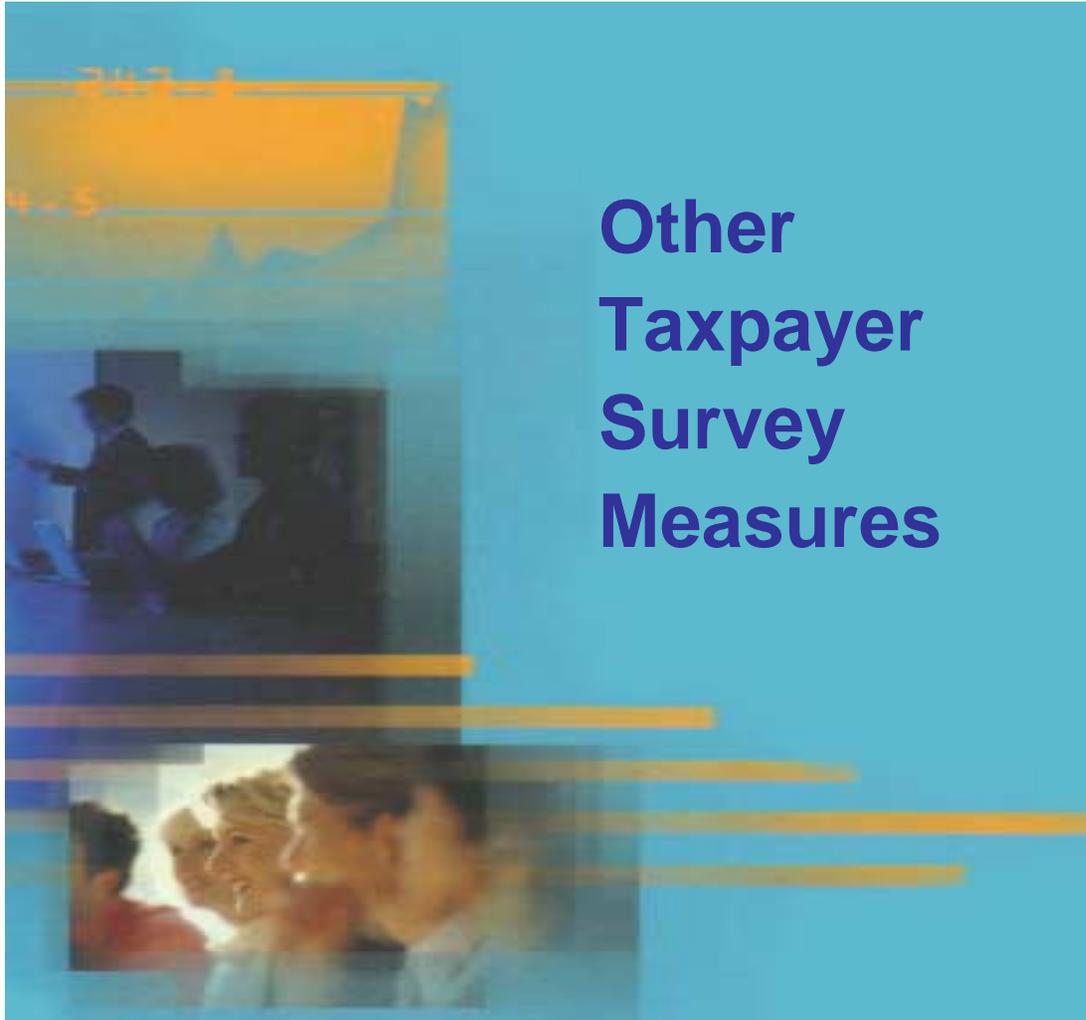
- Non-Users' **reasons** for not using e-file are similar each year and include most of the reasons we found last year in the Barriers research: **lack of knowledge and lack of access to e-filing, prefer paper, privacy/security, cost, and not thinking e-file applies to their tax situation.**

|   | 1999<br>TOTAL<br><u>NON-USERS</u> | 2000<br>TOTAL<br><u>NON-USERS</u> | 2001<br>TOTAL<br><u>NON-USERS</u> | 2002<br>TOTAL<br><u>NON-USERS</u> |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| BASE:   | 720<br>%                          | 668<br>%                          | 657<br>%                          | 593<br>%                          |
| <b><u>Lack Of Knowledge About/Access To e-filing (Net)</u></b>      | <b><u>43</u></b>                  | <b><u>30</u></b>                  | <b><u>20</u></b>                  | <b><u>22</u></b>                  |
| My Preparer Did Not Offer It As A Choice                            | 21                                | 14                                | 10                                | 12                                |
| Don't Have Computer Equipment (PC/Modem/etc.)                       | 12                                | 7                                 | 8                                 | 9                                 |
| I Didn't Know I Could File Electronically                           | 6                                 | 7                                 | 3                                 | 4                                 |
| <b><u>Perceived Drawbacks Of Electronic Filing (Net)</u></b>        | <b><u>30</u></b>                  | <b><u>30</u></b>                  | <b><u>29</u></b>                  | <b><u>30</u></b>                  |
| <b><u>It's Too Expensive</u></b>                                    | <b><u>15</u></b>                  | <b><u>12</u></b>                  | <b><u>12</u></b>                  | <b><u>11</u></b>                  |
| <b><u>Concerned About The Lack Of Privacy/Security</u></b>          | <b><u>13</u></b>                  | <b><u>13</u></b>                  | <b><u>12</u></b>                  | <b><u>11</u></b>                  |
| Don't Trust It  | 2                                 | 0                                 | 0                                 | 0                                 |
| Don't Like Computers  | 2                                 | 1                                 | 0                                 | 1                                 |
| It's Too Complicated  | 1                                 | 0                                 | 2                                 | 2                                 |
| I Heard It Delays Your Refund                                       | 1                                 | 1                                 | 0                                 | 0                                 |
| <b><u>Prefer/More Comfortable With Paper Alternatives (Net)</u></b> | <b><u>23</u></b>                  | <b><u>21</u></b>                  | <b><u>23</u></b>                  | <b><u>22</u></b>                  |
| Doesn't Apply To My Tax Situation                                   | 17                                | 17                                | 7                                 | 11                                |

## So How Does The IRS Overcome These Barriers?

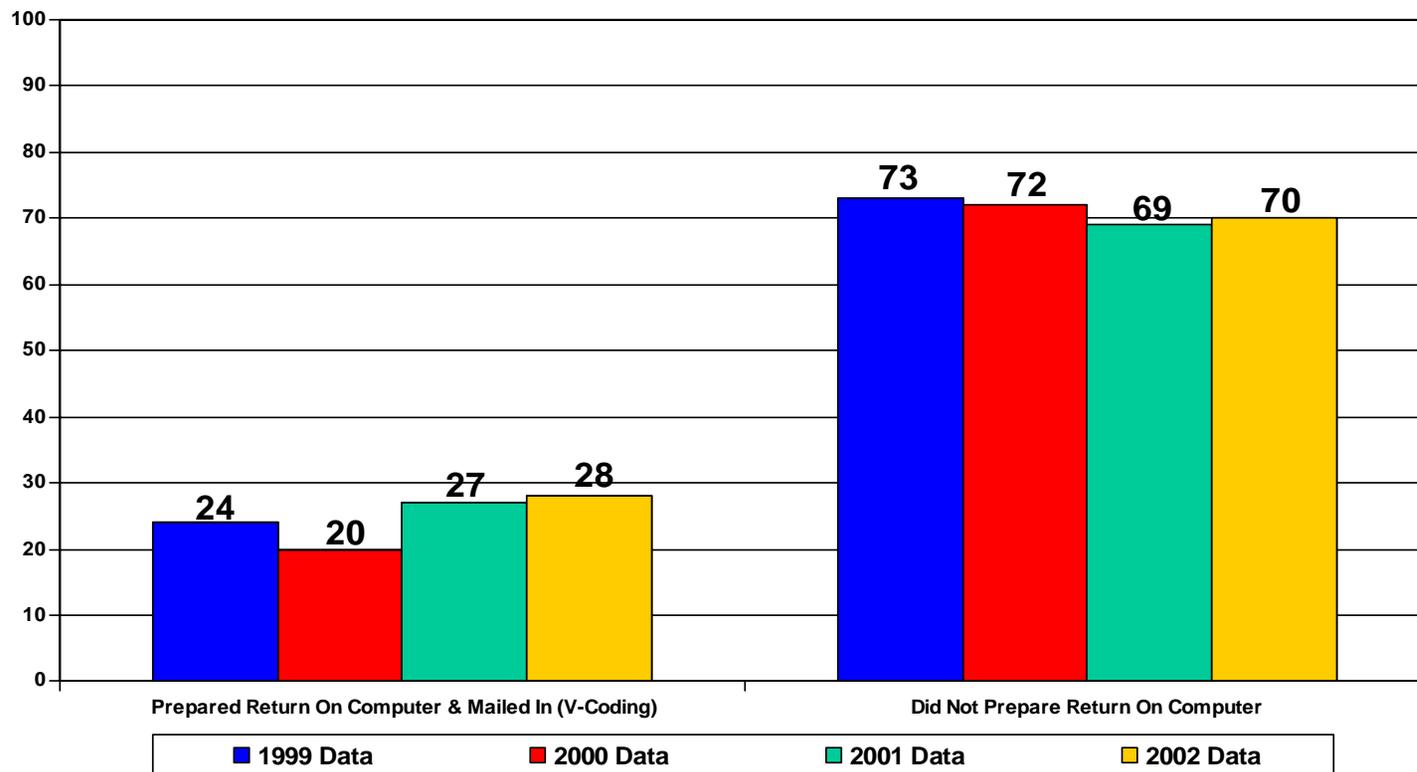
- **By continuing to address the “lack of knowledge” issue** present in the reasons in the last chart (and in the Barriers research), and by **continuing to emphasize what Non-Users already perceive as strong positive attributes of e-file** -- *speed in filing, speed of refund, accuracy, ease of use, ability to make payments electronically*, and, in the case of On-Line Filing and TeleFile, *low cost*.

|   | <u>Total Rated EFTP</u> |             |             |             | <u>Total Rated On-Line</u> |             |             |             | <u>Total Rated TeleFile</u> |             |             |             |
|---|-------------------------|-------------|-------------|-------------|----------------------------|-------------|-------------|-------------|-----------------------------|-------------|-------------|-------------|
|   | <u>1999</u>             | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>1999</u>                | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>1999</u>                 | <u>2000</u> | <u>2001</u> | <u>2002</u> |
| BASE: Total Non-Users Rating Each Product                   | 320                     | 298         | 312         | 274         | 327                        | 296         | 293         | 265         | 73                          | 74          | 52          | 54          |
|   | %                       | %           | %           | %           | %                          | %           | %           | %           | %                           | %           | %           | %           |
| <u>% Agree Completely/Somewhat That Product Would Be...</u> |                         |             |             |             |                            |             |             |             |                             |             |             |             |
| <b>A Way To File Return Quickly</b>                         | <b>90</b>               | <b>88</b>   | <b>90</b>   | <b>89</b>   | <b>87</b>                  | <b>80</b>   | <b>86</b>   | <b>88</b>   | <b>94</b>                   | <b>87</b>   | <b>90</b>   | <b>93</b>   |
| <b>A Way To Get Your Refund Faster</b>                      | <b>89</b>               | <b>87</b>   | <b>86</b>   | <b>89</b>   | <b>85</b>                  | <b>84</b>   | <b>87</b>   | <b>83</b>   | <b>89</b>                   | <b>86</b>   | <b>90</b>   | <b>85</b>   |
| <b>An Accurate Way To File Taxes</b>                        | <b>82</b>               | <b>84</b>   | <b>85</b>   | <b>85</b>   | <b>75</b>                  | <b>73</b>   | <b>81</b>   | <b>77</b>   | <b>79</b>                   | <b>74</b>   | <b>77</b>   | <b>74</b>   |
| <b>Easy/With Little Hassle</b>                              | <b>80</b>               | <b>77</b>   | <b>80</b>   | <b>79</b>   | <b>65</b>                  | <b>62</b>   | <b>69</b>   | <b>63</b>   | <b>89</b>                   | <b>75</b>   | <b>74</b>   | <b>73</b>   |
| A Private/Secure Way To File Taxes                          | 61                      | 69          | 64          | 70          | 43                         | 52          | 54          | 59          | 65                          | 58          | 74          | 65          |
| Better Than Other Methods Of Filing                         | 58                      | 60          | 54          | 60          | 51                         | 59          | 52          | 56          | 71                          | 56          | 67          | 61          |
| An Inexpensive Method Of Filing                             | 40                      | 50          | 49          | 53          | <b>72</b>                  | <b>73</b>   | <b>76</b>   | <b>77</b>   | <b>93</b>                   | <b>85</b>   | <b>99</b>   | <b>94</b>   |
| <b>Able to Make Tax Payment Electronically</b>              | na                      | <b>80</b>   | <b>78</b>   | <b>81</b>   | na                         | <b>76</b>   | <b>78</b>   | <b>68</b>   | na                          | <b>74</b>   | <b>80</b>   | <b>73</b>   |



## A Substantial Portion of Paper Filers Are Still V-Coding

- Among Paper Return filers, V-Coding (preparing the return on a computer and then mailing it in) reached 28% in 2002 – about the same as last year, but still **up directionally** from the 20% level of 2000.



## Why Are They Still V-Coding?

- The main reasons for V-Coding differed somewhat this year, with the top reasons in 2002 being: **cost**, **preferring the paper method**, **privacy/security concerns**, and **not knowing how to transmit electronically**.

|   | -----Total-----  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
|   | <u>1999</u>      | <u>2000</u>      | <u>2001</u>      | <u>2002</u>      |
| BASE: Total Self-Prepared Paper Filers Using A Computer To Prepare Return | 82               | 64               | 70               | 72               |
|   | %                | %                | %                | %                |
| <b><u>Cost/Price (Net)</u></b>  | <b><u>21</u></b> | <b><u>19</u></b> | <b><u>18</u></b> | <b><u>22</u></b> |
| You Have To Pay A Filing Charge   | 16               | 15               | 11               | 10               |
| It Costs Money  | 5                | 3                | 1                | 0                |
| <u>Lack Of Access To Internet/Appropriate Transmission Software (Net)</u> | <u>18</u>        | <u>20</u>        | <u>14</u>        | <u>1</u>         |
| <u>Other Mentions</u>   |                  |                  |                  |                  |
| Just Did Not Think About Filing Electronically                            | 15               | 15               | 14               | 8                |
| I Was Not In A Hurry To File/Time Was Not An Issue                        | 14               | 5                | 1                | 3                |
| <b><u>I Had Security/Privacy Concerns</u></b>                             | <b><u>10</u></b> | <b><u>11</u></b> | <b><u>15</u></b> | <b><u>14</u></b> |
| <b><u>I Just Prefer To Use The Paper Method</u></b>                       | <b><u>6</u></b>  | <b><u>9</u></b>  | <b><u>3</u></b>  | <b><u>15</u></b> |
| It's Not Easy To File Electronically, The Software's Difficult            | 5                | 1                | 8                | 8                |
| Don't Trust Accuracy Of Computer/Transmission                             | 0                | 0                | 0                | 7                |
| <b><u>Just Didn't Know How To Transmit My Return Electronically</u></b>   | <b><u>0</u></b>  | <b><u>0</u></b>  | <b><u>0</u></b>  | <b><u>11</u></b> |

## In Other Measures, Internet Access Continues To Increase...

- With significant increases since 1999 in the proportion of Taxpayers with a modem-equipped PC in the household and those with Internet access.

| BASE:  | -----Total Random Sample----- |                          |                          |                          |
|--|-------------------------------|--------------------------|--------------------------|--------------------------|
|  | <u>1999</u><br>1000<br>%      | <u>2000</u><br>1000<br>% | <u>2001</u><br>1000<br>% | <u>2002</u><br>1000<br>% |
| <b><u>Household Ownership Of A PC With Modem</u></b>     |                               |                          |                          |                          |
| <b>HH Has A PC With Modem</b>                            | <b>56</b>                     | <b>69</b>                | <b>73</b>                | <b>76</b>                |
| HH Does Not Have A PC With Modem                         | 44                            | 31                       | 27                       | 24                       |
| <b><u>Household Internet Access</u></b>                  |                               |                          |                          |                          |
| <b><u>Among Taxpayers With A PC &amp; Modem</u></b> (n=) |                               |                          |                          |                          |
| <b>Have HH Access To Internet Via PC</b>                 | <b>81</b>                     | <b>92</b>                | <b>94</b>                | <b>94</b>                |
| Do Not Have Access To Internet Via PC                    | 19                            | 8                        | 6                        | 6                        |
| <b><u>Extrapolating Internet Access Data</u></b>         |                               |                          |                          |                          |
| <b><u>To All Taxpayers</u></b> (n=)                      |                               |                          |                          |                          |
| <b>Have HH Access To Internet Via PC</b>                 | <b>45</b>                     | <b>63</b>                | <b>69</b>                | <b>71</b>                |
| Do Not Have Access To Internet Via PC                    | 55                            | 37                       | 31                       | 29                       |

## And We See Again That Non-Users Of e-file Are NOT Internet-Limited

- Each year, our data shows statistically similar levels of Internet access among Non-Users and Users of e-file.

|  | ----1999---- |           | ----2000---- |           | ----2001---- |           | ----2002---- |           |
|--|--------------|-----------|--------------|-----------|--------------|-----------|--------------|-----------|
|  | Users        | Non-Users | Users        | Non-Users | Users        | Non-Users | Users        | Non-Users |
| BASE:  | 280          | 720       | 332          | 668       | 343          | 657       | 407          | 593       |
|  | %            | %         | %            | %         | %            | %         | %            | %         |
| <b><u>Household Ownership Of A PC With Modem</u></b>     |              |           |              |           |              |           |              |           |
| HH Has A PC With Modem                                   | 55           | 57        | 64           | 71        | 68           | 75        | 74           | 77        |
| HH Does Not Have A PC With Modem                         | 46           | 43        | 36           | 29        | 32           | 25        | 26           | 23        |
| <b><u>Household Internet Access</u></b>                  |              |           |              |           |              |           |              |           |
| <b><u>Among Taxpayers With A PC &amp; Modem</u></b> (n=) |              |           |              |           |              |           |              |           |
| Have HH Access To Internet Via PC                        | 80           | 81        | 94           | 91        | 95           | 94        | 92           | 95        |
| Do Not Have Access To Internet Via PC                    | 20           | 19        | 6            | 9         | 5            | 6         | 8            | 5         |
| <b><u>Extrapolating Internet Access Data</u></b>         |              |           |              |           |              |           |              |           |
| <b><u>To All Taxpayers</u></b> (n=)                      |              |           |              |           |              |           |              |           |
| Have HH Access To Internet Via PC                        | 44           | 46        | 60           | 65        | 65           | 71        | 69           | 72        |
| Do Not Have Access To Internet Via PC                    | 56           | 54        | 40           | 35        | 35           | 29        | 31           | 28        |

## In New Profiling Measures Added To The 2002 Wave...

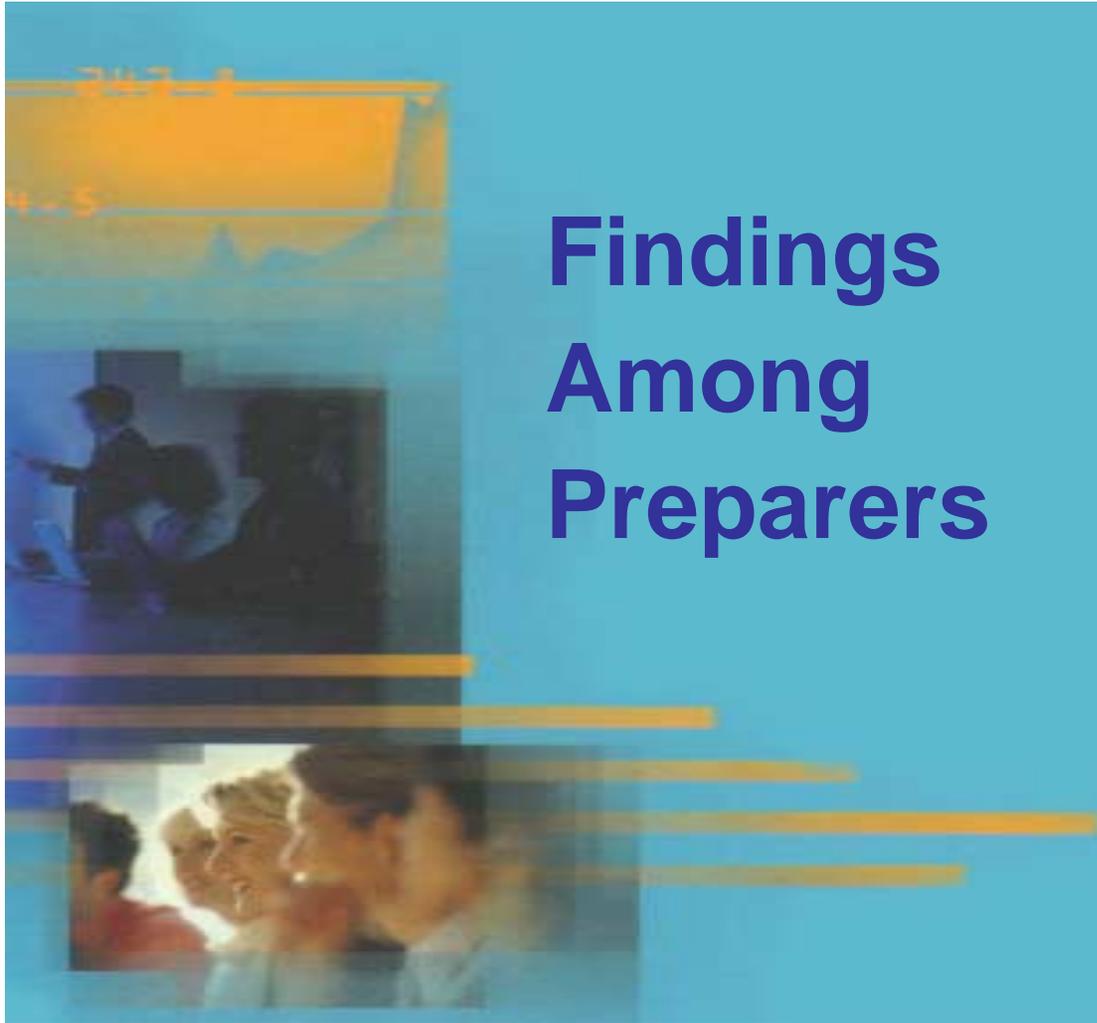
- We see clear differences between Non-Users and Users of each e-file product in terms of attachment of additional forms/schedules to the return, whether they get a refund or not, how balances due were paid, and how they received refunds.

|  | <u>Total Non-Users</u> | <u>EFTP Users</u> | <u>On-Line Users</u> | <u>TeleFile Users</u> |
|--|------------------------|-------------------|----------------------|-----------------------|
| <b>BASE:</b>                                     | 593                    | 502               | 502                  | 501                   |
|  | %                      | %                 | %                    | %                     |
| <b><u>Additional Forms/Attachments Filed</u></b> |                        |                   |                      |                       |
| Form 2106 – The Business Expense Form            | <b>21</b>              | <b>24</b>         | <b>18</b>            | 0                     |
| Schedule “C”                                     | <b>26</b>              | <b>20</b>         | <b>30</b>            | 0                     |
| Schedule “E”                                     | 11                     | 6                 | 13                   | 0                     |
| Schedule “F”                                     | 2                      | 3                 | 3                    | 0                     |
| <b><u>Result of Tax Filing</u></b>               |                        |                   |                      |                       |
| Balance Due To The IRS                           | <b>28</b>              | 9                 | 9                    | 6                     |
| Received A Refund                                | 66                     | <b>84</b>         | <b>88</b>            | <b>91</b>             |
| Had A Zero Balance                               | 4                      | 3                 | 1                    | 2                     |
| <b><u>How Paid the Balance Due</u></b>           |                        |                   |                      |                       |
| Automatic Withdrawal from a Checking/Savings     | 2                      | 11                | <b>26</b>            | 3                     |
| Credit Card                                      | 2                      | 0                 | <b>13</b>            | 3                     |
| Wrote A Check                                    | <b>94</b>              | <b>79</b>         | 59                   | <b>88</b>             |
| <b><u>Method of Receiving Refund</u></b>         |                        |                   |                      |                       |
| Direct Deposit to Checking/Savings               | 29                     | 43                | <b>77</b>            | 37                    |
| Received A Check From The IRS                    | <b>68</b>              | <b>55</b>         | 22                   | <b>62</b>             |

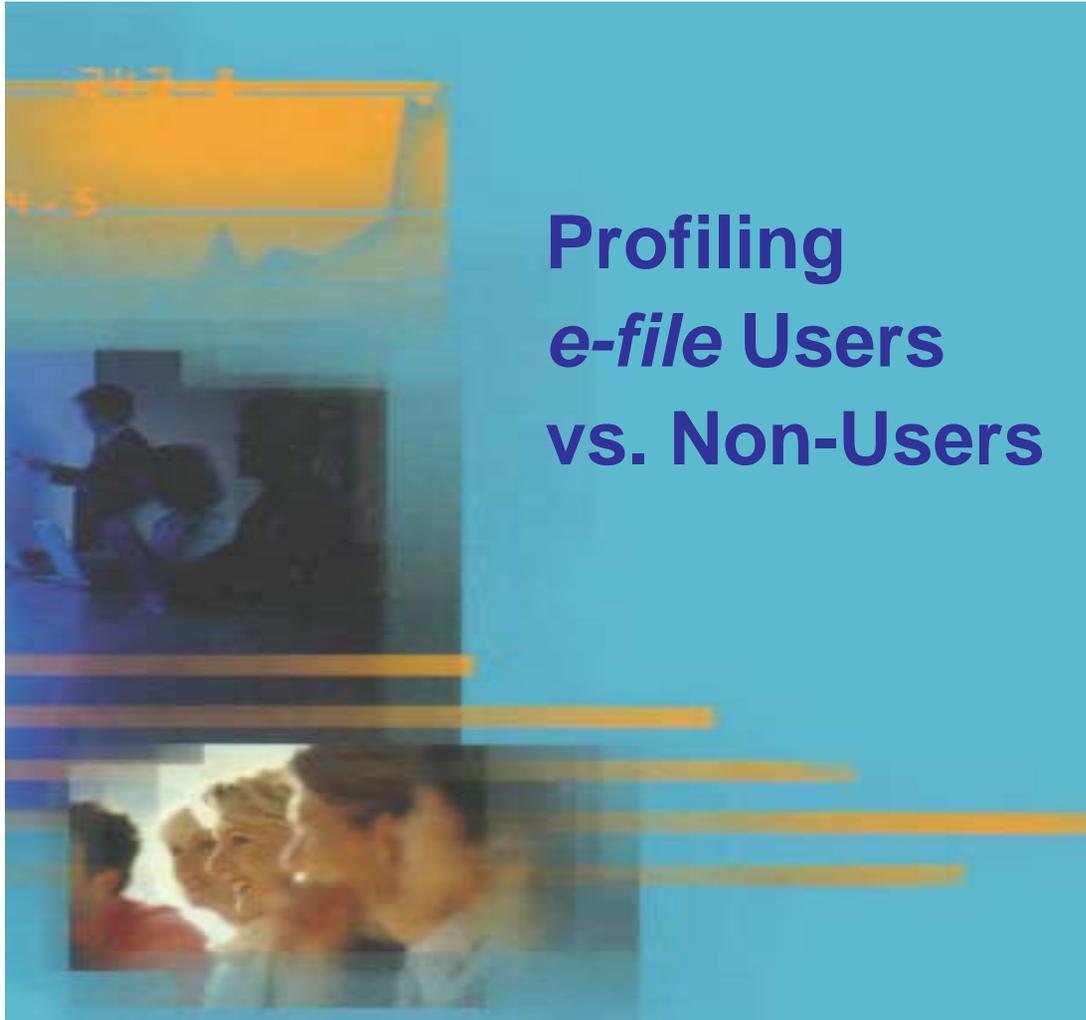
## Finally, e-file Users & Non-Users Still Differ Demographically

- Demographic data continue to show differences among Users and Non-Users -- with current **Non-Users** being **older**, with **fewer children living at home**, **more likely to be married**, and **higher in HH income**.

|  | ----1999---- |                  | ----2000---- |                  | ----2001---- |                  | ----2002---- |                  |
|--|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|
|  | <u>Users</u> | <u>Non-Users</u> | <u>Users</u> | <u>Non-Users</u> | <u>Users</u> | <u>Non-Users</u> | <u>Users</u> | <u>Non-Users</u> |
| BASE:                                  | 280          | 720              | 332          | 668              | 343          | 657              | 407          | 593              |
|  | %            | %                | %            | %                | %            | %                | %            | %                |
| <b><u>Gender</u></b>                   |              |                  |              |                  |              |                  |              |                  |
| Male                                   | 42           | 48               | 45           | 52               | 40           | 47               | 47           | 48               |
| Female                                 | 58           | 52               | 55           | 48               | 60           | 53               | 53           | 52               |
| <b><u>Age</u></b>                      |              |                  |              |                  |              |                  |              |                  |
| Average Age                            | 37           | 41               | 37           | 41               | 37           | 42               | 38           | 43               |
| <b><u>Average HH Size</u></b>          | 3.1          | 3.1              | 3.0          | 3.0              | 2.9          | 2.9              | 3.0          | 2.8              |
| <b><u>% With Children</u></b>          | 52           | 52               | 54           | 48               | 54           | 47               | 56           | 44               |
| <b><u>% Married</u></b>                | 44           | 67               | 47           | 64               | 48           | 65               | 53           | 62               |
| <b><u>% With College Education</u></b> | 61           | 63               | 50           | 69               | 59           | 64               | 59           | 65               |
| <b><u>Median HH Income (000)</u></b>   | \$39         | \$51             | \$39         | \$54             | \$41         | \$58             | \$45         | \$54             |



# Findings Among Preparers



**Profiling  
*e-file* Users  
vs. Non-Users**

## As In Past Waves, We See Clear Differences By *e-file* Usage...

- With **Users reporting a larger volume of returns** (of which 29% were *e-file*, down from 2001 -- possibly because of entry into *e-filing* of “new” Preparers as *e-file* grows).
- **The 2002 Non-Users had a significantly lower average total returns this year than last** -- this may be due to the change in source list for this cell in this wave.

|  | ----1999---- |                  | ----2000---- |                  | ----2001---- |                  | ----2002---- |                  |
|--|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|
|  | <u>Users</u> | <u>Non-Users</u> | <u>Users</u> | <u>Non-Users</u> | <u>Users</u> | <u>Non-Users</u> | <u>Users</u> | <u>Non-Users</u> |
| BASE:  | 501          | 504              | 499          | 358              | 502          | 180              | 501          | 500              |
|  | %            | %                | %            | %                | %            | %                | %            | %                |
| MEDIAN DATA ONLY:  |              |                  |              |                  |              |                  |              |                  |
| <b><u># Returns Filed In 2001</u></b>                        | 210          | 125              | 326          | 227              | 278          | 183              | 243          | 78               |
| <b><u>Avg. % Of 2001 Returns That Were <i>e-file</i></u></b> | 39           | 0                | 39           | 0                | 33           | 0                | 29           | 0                |
| <b><u>% Of 2001 Returns Being Individual Returns</u></b>     | 95           | 89               | 91           | 83               | 92           | 82               | 87           | 89               |
| <b><u>% Of 2001 Returns Being Business Returns</u></b>       | 5            | 11               | 15           | 23               | 14           | 24               | 19           | 19               |

## Once Again, Users Have More Involvement With IRS

- As in past waves, we see that **Users are more likely to use the IRS' Digital Daily Website** (especially this year, with lower Internet access among the differently-sourced Non-User sample). Users also **have greater contact with the IRS generally**.

|   | <u>1999</u>  |                  | <u>2000</u>  |                  | <u>2001</u>  |                  | <u>2002</u>  |                  |
|---|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|
|   | <u>Users</u> | <u>Non-Users</u> | <u>Users</u> | <u>Non-Users</u> | <u>Users</u> | <u>Non-Users</u> | <u>Users</u> | <u>Non-Users</u> |
| <b>BASE:</b>  | 501          | 504              | 499          | 358              | 502          | 180              | 501          | 500              |
|   | %            | %                | %            | %                | %            | %                | %            | %                |
| <b><u>% With Access To The Internet</u></b>               | 93           | 85               | 96           | 93               | 97           | 99               | 98           | <b>86</b>        |
| (New Base: Have Access To The Internet)                   | (464)        | (430)            | (477)        | (335)            | (486)        | (178)            | (490)        | (432)            |
| <b><u>% Who Access The IRS' Digital Daily Website</u></b> | 67           | 56               | 67           | 56               | 74           | 65               | 78           | 61               |
| <b><u>Type Of IRS Contact Preferred</u></b>               |              |                  |              |                  |              |                  |              |                  |
| Remote Contact Through A Practitioner Or Call Site        | 34           | 39               | 57           | 62               | 65           | 65               | 57           | 53               |
| Walk-In, Face-To-Face Contact                             | 14           | 16               | 11           | 9                | 12           | 17               | 12           | 17               |
| No Preference   | 52           | 45               | 32           | 29               | 23           | 18               | 31           | 31               |
| <b><u>How They Currently Get Info From The IRS</u></b>    |              |                  |              |                  |              |                  |              |                  |
| Through The Mail  | 68           | 68               | 79           | 73               | 76           | 76               | 71           | 59               |
| Over The Internet   | 61           | 52               | 64           | 56               | 74           | 62               | 77           | 59               |
| By Telephone  | 54           | 55               | 63           | 63               | 68           | 67               | 59           | 52               |
| At Seminars/Conferences                                   | 52           | 44               | 57           | 44               | 61           | 42               | 57           | 33               |
| Tax/Accounting Firm Provides The Information              | 30           | 16               | 41           | 45               | 27           | 25               | 15           | 14               |
| From Visiting IRS Representatives                         | 17           | 17               | 24           | 17               | 22           | 24               | 19           | 15               |

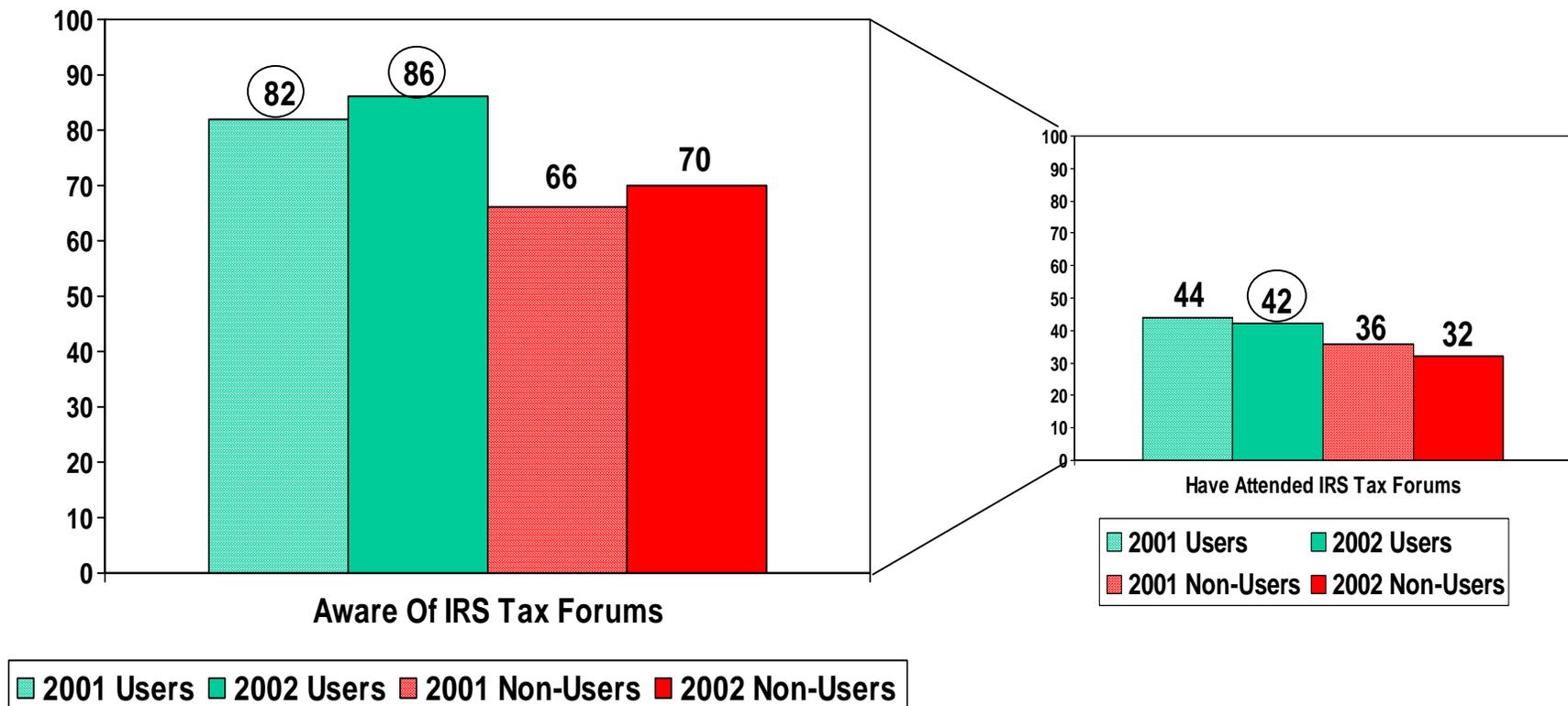
## Users Are Also More *Involved* In *e-filing*

- The vast majority of Users (80%+ each year) say their clients request electronic filing (vs. only 37% in 2002 among the differently-sourced Non-Users).
- As a result, Users seem to approach e-file more as a product -- with 8 in 10 of them saying each year that they offer e-file without it being requested and with almost half each year saying they offer *e-file* free for Individual returns.

|  | <u>1999</u>  |                  | <u>2000</u>  |                  | <u>2001</u>  |                  | <u>2002</u>  |                  |
|--|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|
|  | <u>Users</u> | <u>Non-Users</u> | <u>Users</u> | <u>Non-Users</u> | <u>Users</u> | <u>Non-Users</u> | <u>Users</u> | <u>Non-Users</u> |
| <b>BASE:</b>   | 501          | 504              | 499          | 358              | 502          | 180              | 501          | 500              |
|  | %            | %                | %            | %                | %            | %                | %            | %                |
| <b><u>Do Taxpayers Request e-file/Electronic Filing Services</u></b>     | (89)         | 57               | (87)         | 63               | (86)         | 57               | (80)         | 37               |
| (New Base: Preparers Whose Clients Request e-file)                       | (501)        | (na)             | (499)        | (na)             | (502)        | (na)             | (501)        | (na)             |
| <b><u>Among Users Only:</u></b>  |              |                  |              |                  |              |                  |              |                  |
| <b><u>Is e-file Offered w/o Request?</u></b>                             |              |                  |              |                  |              |                  |              |                  |
| Yes  | 88           | na               | 83           | na               | 82           | na               | 80           | na               |
| No   | 12           | na               | 17           | na               | 18           | na               | 20           | na               |
| <b><u>Among Users Only:</u></b>  |              |                  |              |                  |              |                  |              |                  |
| <b><u>Do You Offer Free Electronic Filing For Individual Returns</u></b> | 46           | na               | 51           | na               | 45           | na               | 43           | na               |

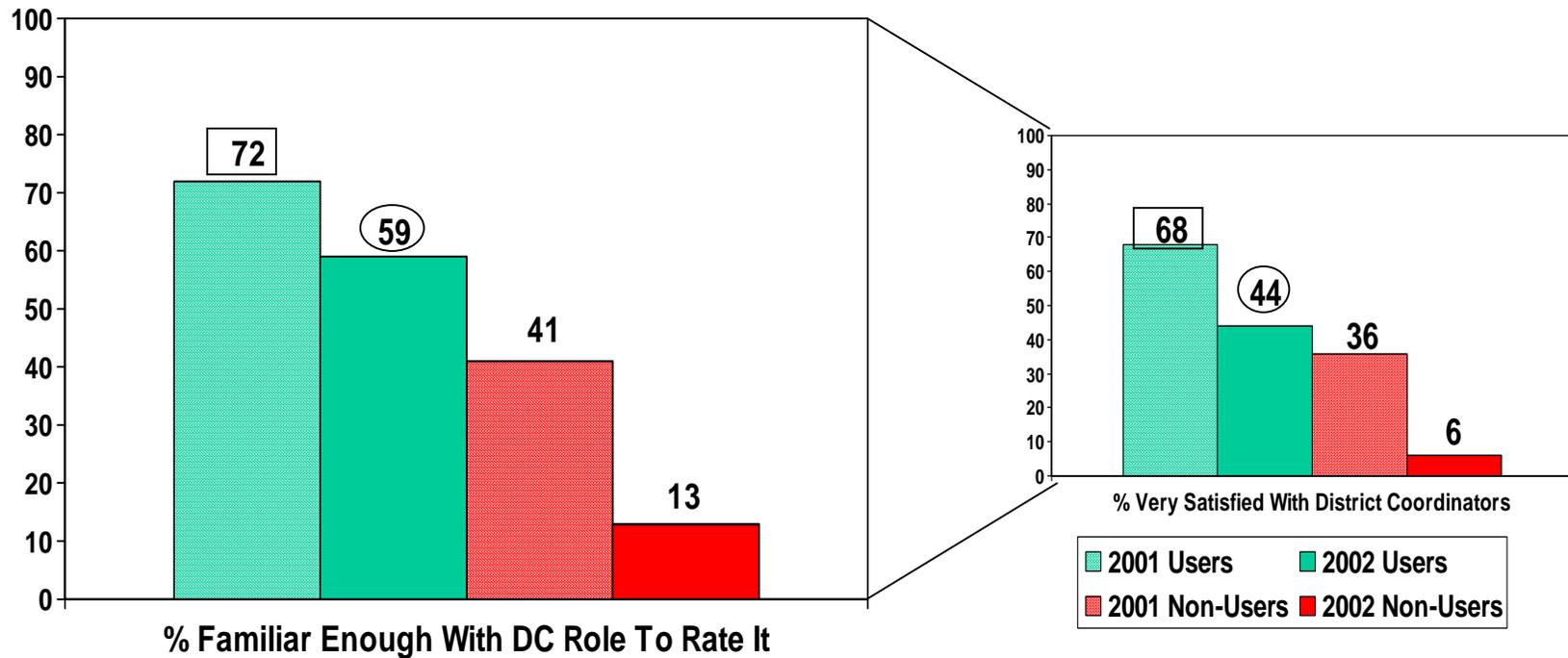
## In Other Evidence Of User Involvement With The IRS...

- **Users are significantly more likely to be aware of the Nationwide Tax Forums** held by the IRS, and they are **more likely to have attended** one of the forums.



## In Addition, Users Are...

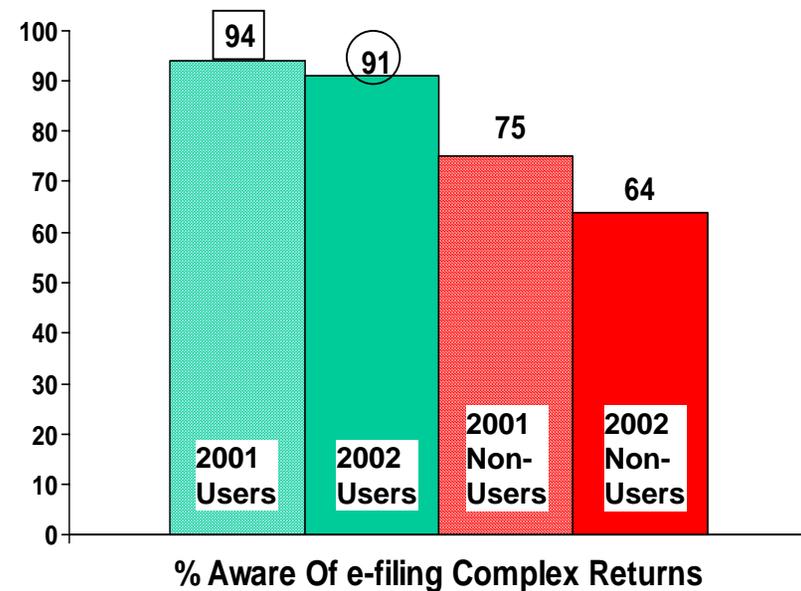
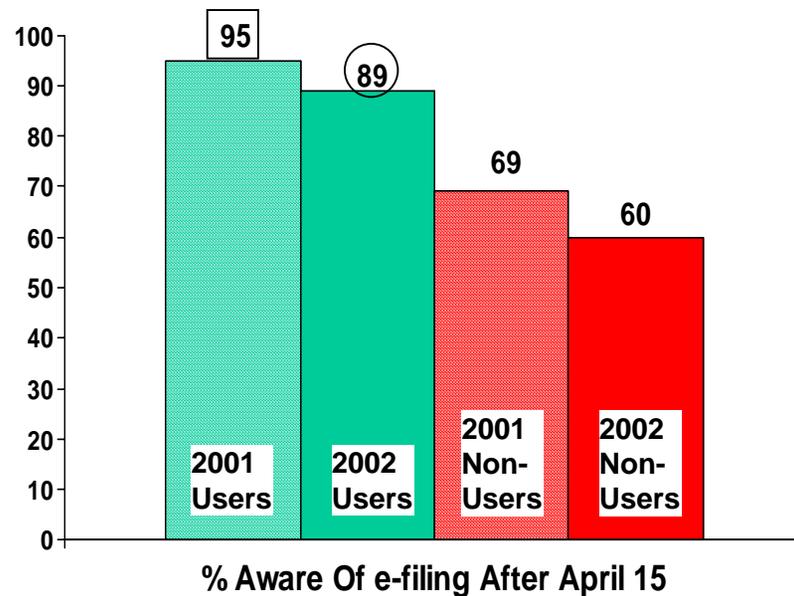
- **More aware of IRS District Coordinators** -- and more likely to be **satisfied with the assistance they get from the District Coordinators.**



■ 2001 Users ■ 2002 Users ■ 2001 Non-Users ■ 2002 Non-Users

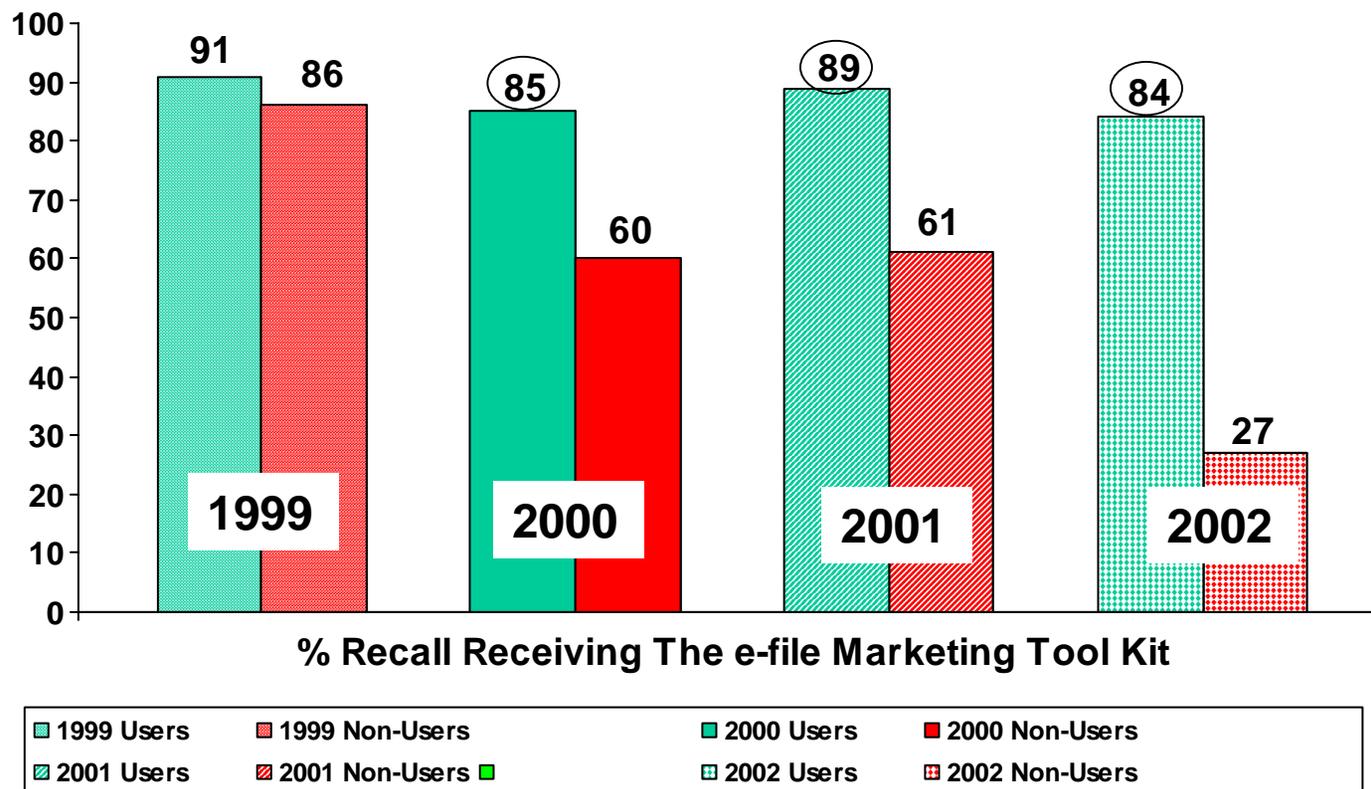
## Users Are Also More Aware Of The Details Of The e-file Program

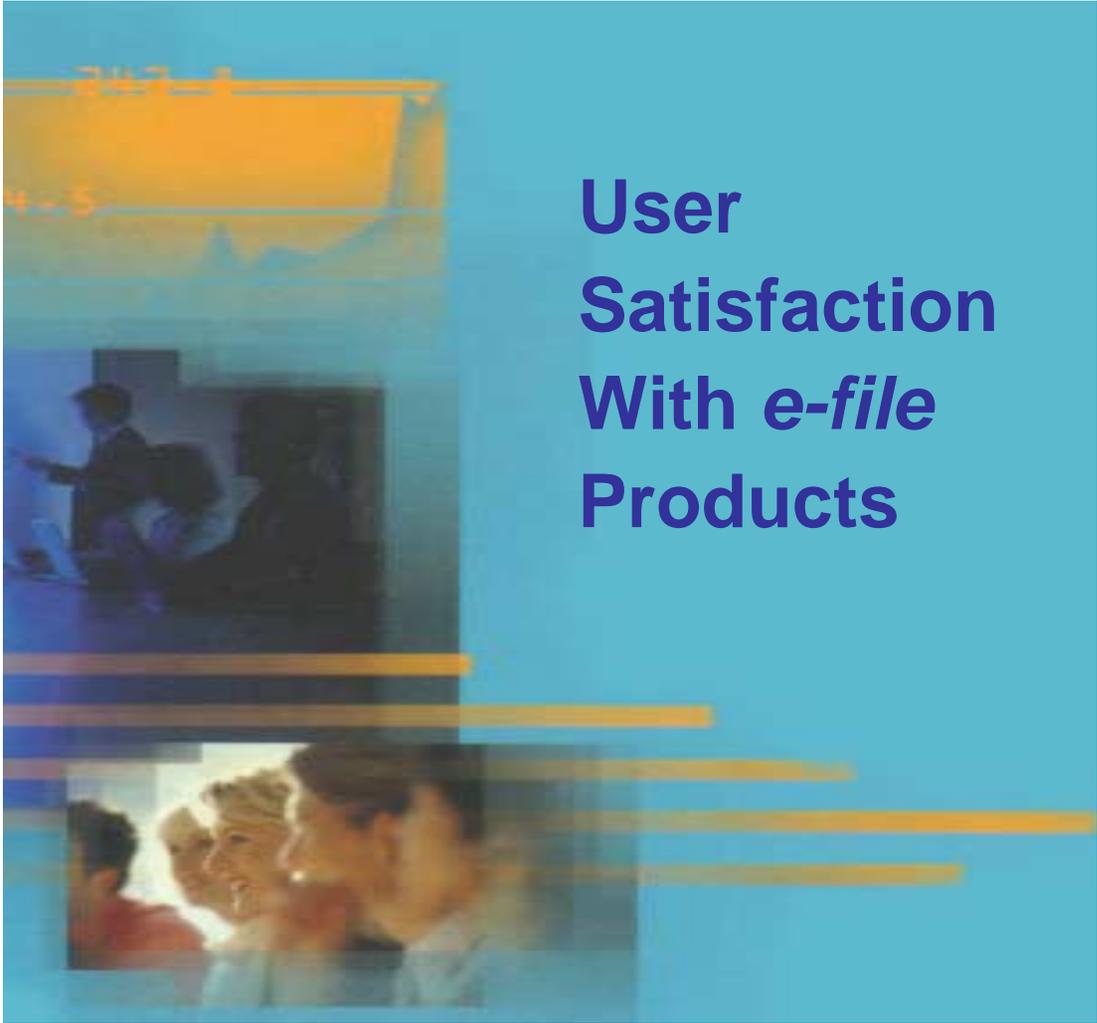
- As we found last year, Users are significantly more aware than Non-Users that they can e-file after April 15th and that they can file complex returns using e-file.



## Finally, Users Are More Likely To Recall The e-file Marketing Tool Kit...

- **Especially in the past three waves** – when the level of recall of the Kit among Users was significantly higher than that of Non-Users. *Note the drop in Non-User recall after 1999.*

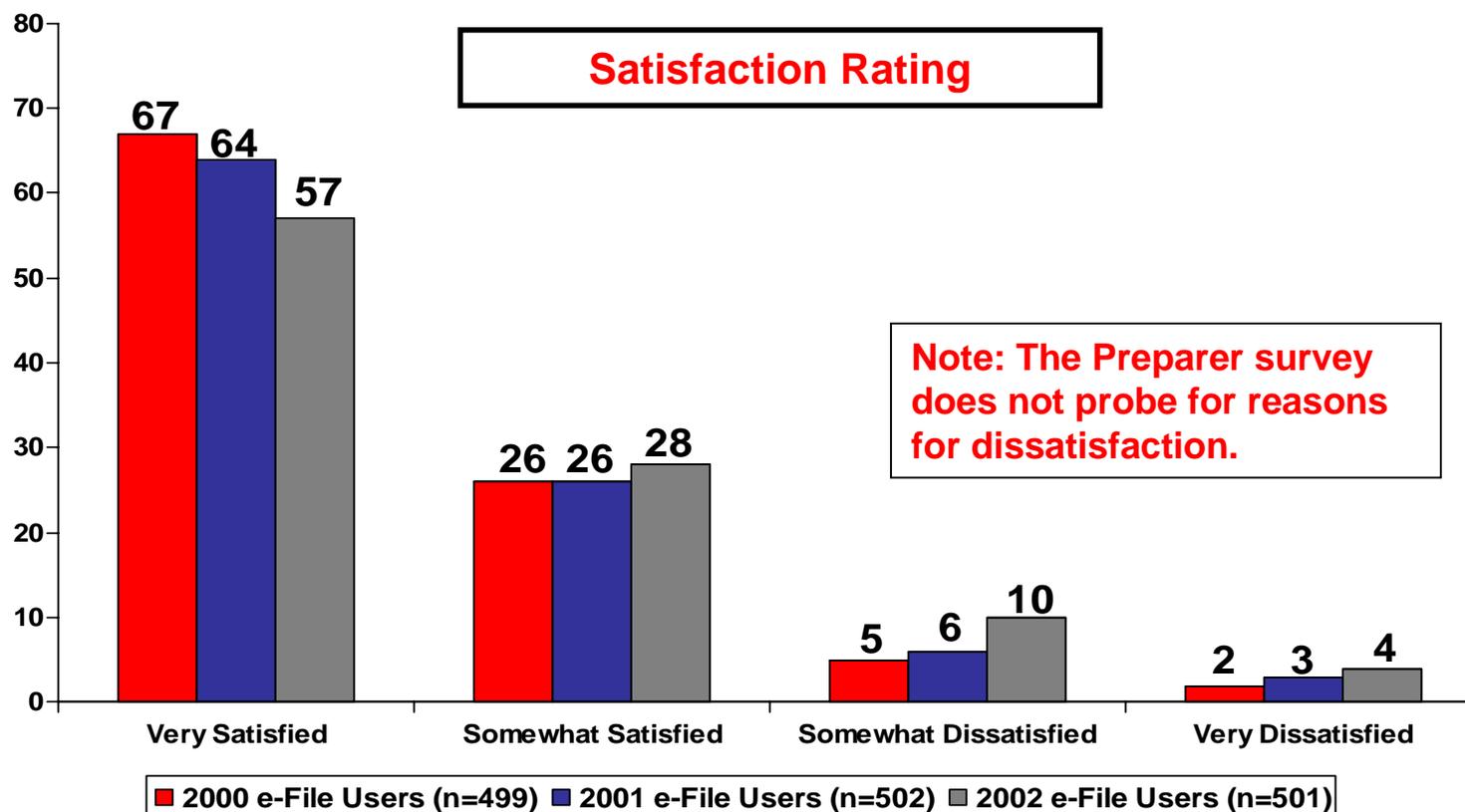




# User Satisfaction With *e-file* Products

## Users Continue To Show Strong Satisfaction With IRS e-file

- While the vast majority of Users this year (85%) were satisfied with the program, we do see a significant decrease in the top box satisfaction rating (very satisfied) in 2002 -- with corresponding increases in lower rating points.





**User  
Involvement In  
& Reaction To  
The IRS' *e-file*  
Program**

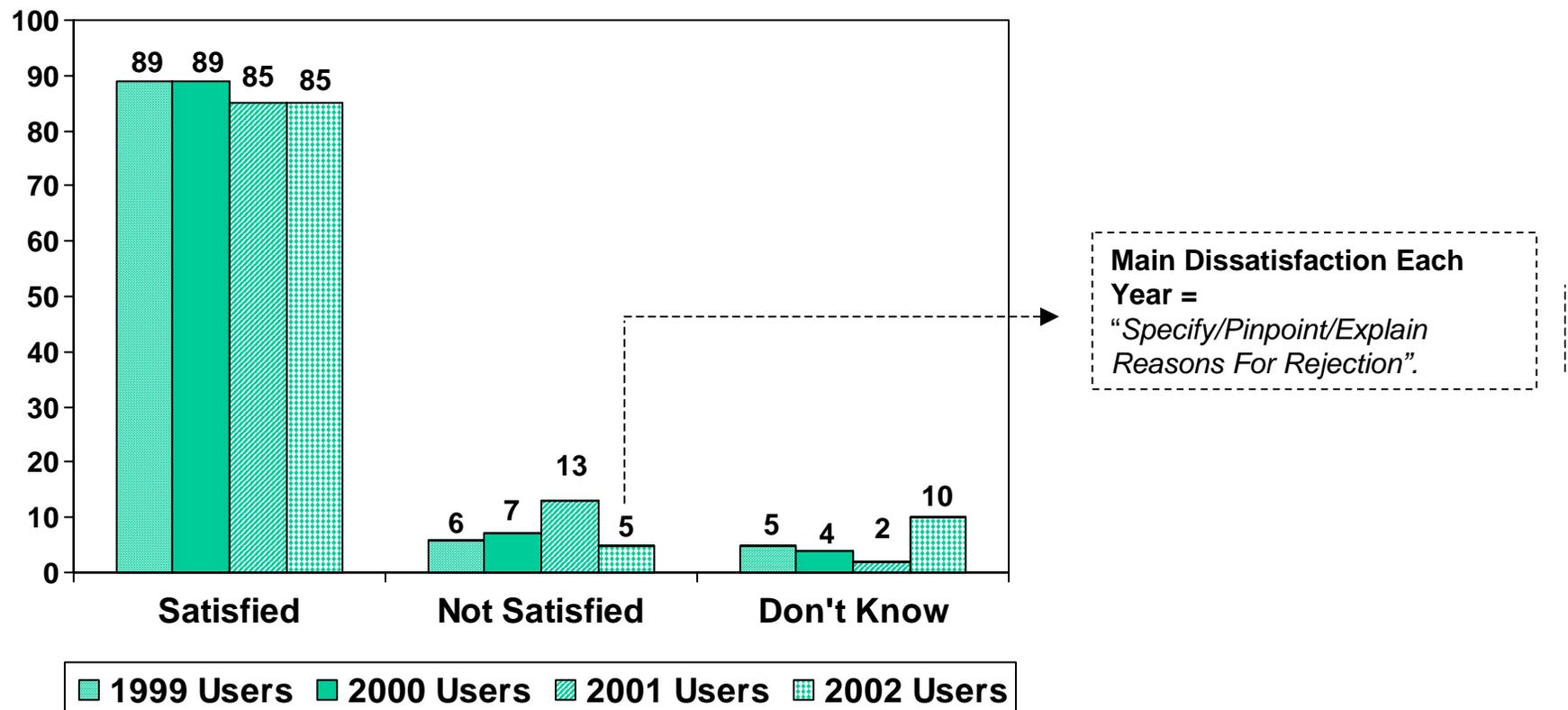
## Still, Users See Clear Benefits To Participation In The e-file Program

- The benefits which bring a Preparer into the e-file program are the same benefits which keep them in the program -- customers liking e-file, speed, a perception that e-file “is the future”, it keeps costs down, and (for this year specifically) ease/convenience and helps me keep up with the competition.

|   | What Brings Users To<br>The e-file Program |           |           |           | What Keeps Users In<br>The e-file Program |           |           |           |
|---|--|-----------|-----------|-----------|---|-----------|-----------|-----------|
|   | 1999                                       | 2000      | 2001      | 2002      | 1999                                      | 2000      | 2001      | 2002      |
| BASE:   | 501  | 499       | 502       | 501       | 501                                       | 499       | 502       | 501       |
|   | %  | %         | %         | %         | %   | %         | %         | %         |
| <b>Customers Like Service/Request It</b>                  | <b>27</b>                                  | <b>20</b> | <b>27</b> | <b>25</b> | <b>39</b>                                 | <b>30</b> | <b>39</b> | <b>35</b> |
| Provides Good Customer Service                            | 11   | 4         | 7         | 3         | 13  | 4         | 9         | 5         |
| <b>Ease/Convenience</b>                                   | <b>6</b>                                   | <b>6</b>  | <b>7</b>  | <b>17</b> | <b>8</b>                                  | <b>6</b>  | <b>6</b>  | <b>20</b> |
| <b>Like The Speed Of The Process</b>                      | <b>28</b>                                  | <b>16</b> | <b>16</b> | <b>11</b> | <b>22</b>                                 | <b>16</b> | <b>17</b> | <b>7</b>  |
| <b>Like The Speed &amp; Accuracy Of The Refunds</b>       | <b>25</b>                                  | <b>15</b> | <b>19</b> | <b>14</b> | <b>22</b>                                 | <b>15</b> | <b>19</b> | <b>11</b> |
| <b>It's The Future</b>                                    | <b>20</b>                                  | <b>17</b> | <b>20</b> | <b>18</b> | <b>17</b>                                 | <b>17</b> | <b>17</b> | <b>19</b> |
| <b>Helps Me Keep Up With Competition</b>                  | <b>14</b>                                  | <b>3</b>  | <b>1</b>  | <b>11</b> | <b>9</b>                                  | <b>3</b>  | <b>1</b>  | <b>11</b> |
| Increases Revenue   | 8  | 5         | 4         | 4         | 11  | 5         | 3         | 3         |
| <b>Reduces Supply Costs/Paperwork w/ Repeat Customers</b> | <b>14</b>                                  | <b>11</b> | <b>12</b> | <b>10</b> | <b>14</b>                                 | <b>11</b> | <b>15</b> | <b>11</b> |
| Like The Accuracy Of The Software                         | 12   | 7         | 7         | 6         | 10  | 7         | 6         | 5         |

## 85% Say They Are Satisfied With IRS Tracking Of Reject Rates...

- With the level of “not satisfied” decreasing sharply this year – from 13% in 2001 to 5% currently. The main reason for dissatisfaction was the same -- a desire for more explanation of rejects.



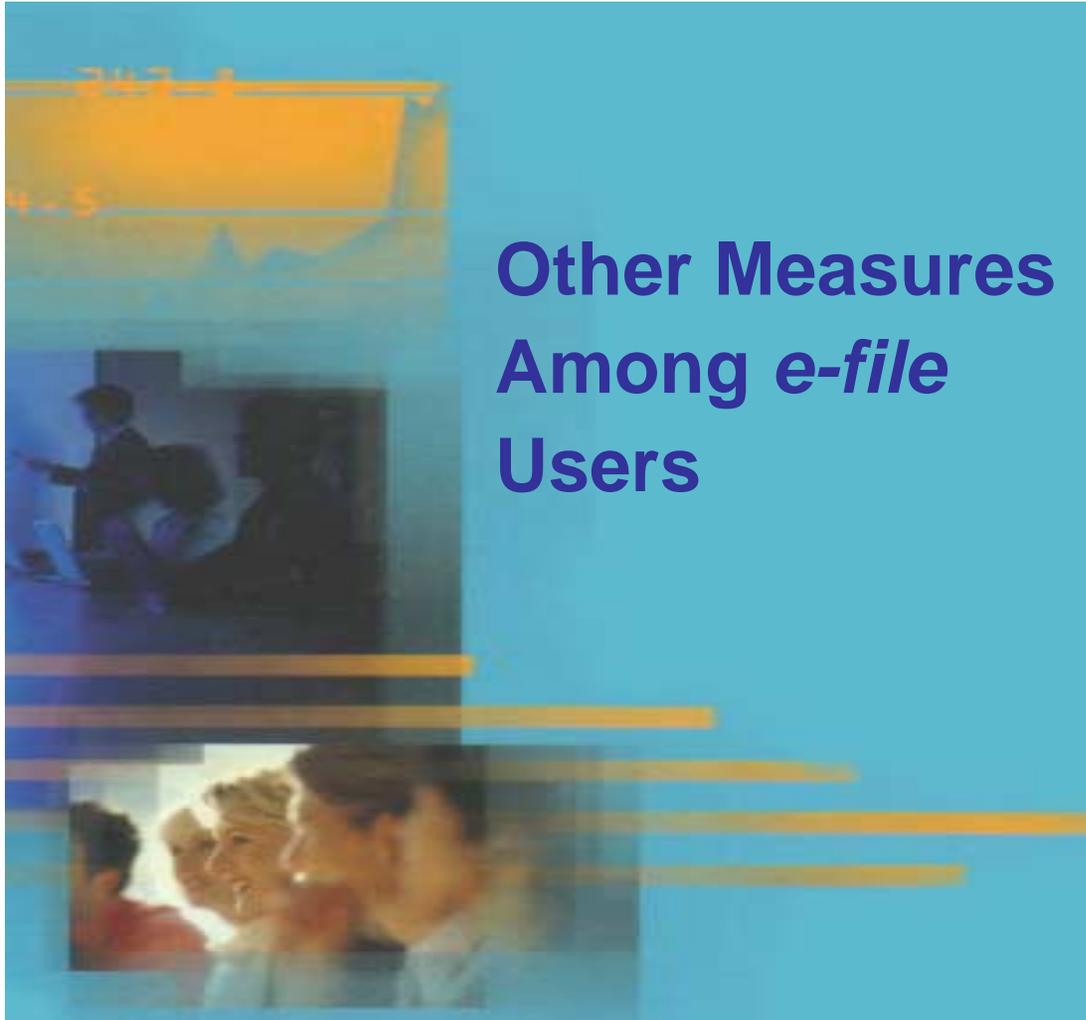


# User Recall & Reaction To Form 8633

## The Users Recall & Seem Generally Satisfied With Form 8633

- **Recall of Form 8633 was still high at 87%**, and **while about one-fifth of Users still needed assistance with the form**, there were **fewer specific suggestions** for improving it.

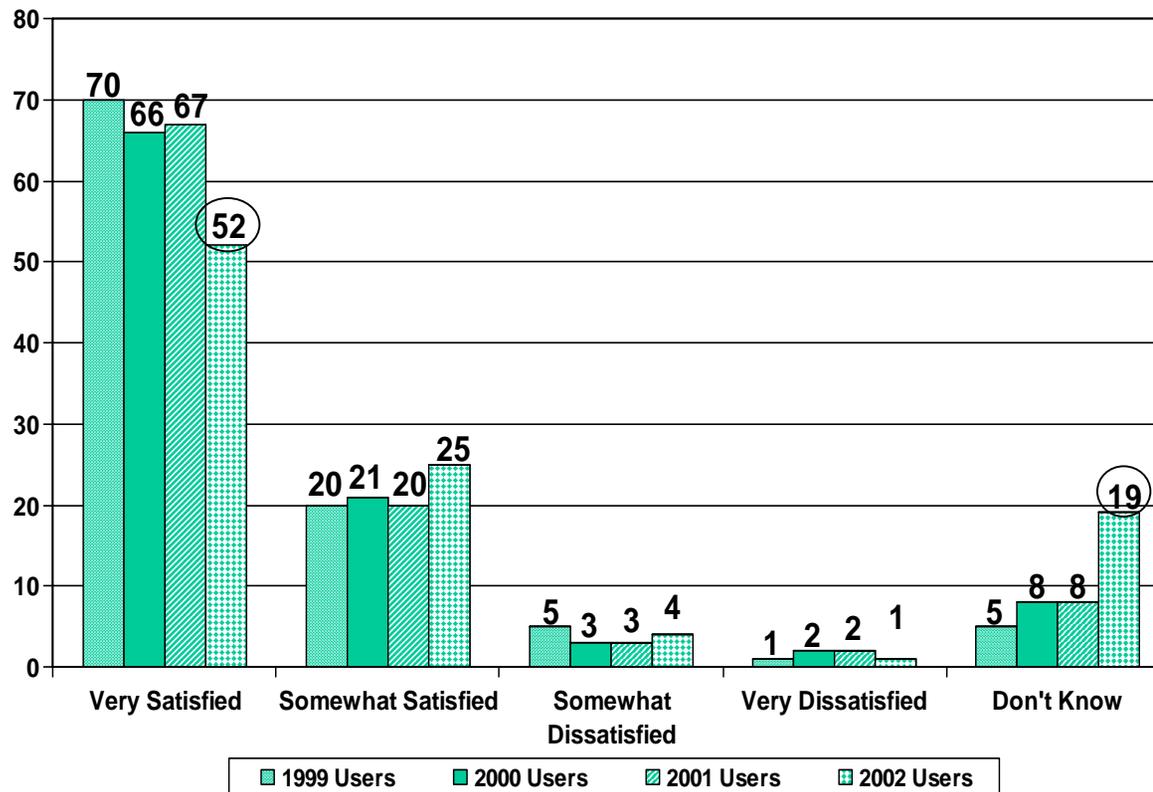
|   | <u>e-file Users</u><br><u>1999</u> | <u>e-file Users</u><br><u>2000</u> | <u>e-file Users</u><br><u>2001</u> | <u>e-file Users</u><br><u>2002</u> |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| BASE:   | 501<br>%                           | 499<br>%                           | 502<br>%                           | 501<br>%                           |
| <b>Recall Form 8633</b>   | <b>89</b>                          | <b>80</b>                          | <b>85</b>                          | <b>87</b>                          |
| NEW BASE -- RECALL FORM:  | (446)                              | (397)                              | (426)                              | (437)                              |
| <b>Average # Minutes It Took To Complete Form</b>                       | <b>~37 mins</b>                    | <b>~37 mins</b>                    | <b>~37 mins</b>                    | <b>~38 mins</b>                    |
| <b><u>% Did Not Need Assistance With "How To Complete The Form"</u></b> | <b><u>87</u></b>                   | <b><u>86</u></b>                   | <b><u>78</u></b>                   | <b><u>78</u></b>                   |
| <b><u>% Needed Assistance With "How To Complete The Form"</u></b>       | <b><u>13</u></b>                   | <b><u>12</u></b>                   | <b><u>22</u></b>                   | <b><u>22</u></b>                   |
| Needed Help With Transmission Information                               | 5                                  | 7                                  | 15                                 | 17                                 |
| Needed Help With Drop-Off Collection Points                             | 4                                  | 5                                  | 10                                 | 11                                 |
| Needed Help With "Principals Of Your Firm Or Organization"              | 4                                  | 6                                  | 9                                  | 13                                 |
| <b><u>No Suggestions For Improvement In Form 8633</u></b>               | <b><u>71</u></b>                   | <b><u>76</u></b>                   | <b><u>77</u></b>                   | <b><u>79</u></b>                   |
| <b><u>Suggestions For Improvement In The Form</u></b>                   | <b><u>29</u></b>                   | <b><u>24</u></b>                   | <b><u>23</u></b>                   | <b><u>21</u></b>                   |
| Explain/Define Terms More   | 7                                  | 2                                  | 5                                  | 2                                  |
| Shorten/Simplify The Format   | 6                                  | 2                                  | 5                                  | 2                                  |
| Simple/More Concise Wording, Language                                   | 5                                  | 3                                  | 3                                  | 6                                  |
| Send Form Electronically  | 1                                  | 4                                  | 1                                  | 1                                  |
| <b><u>Willing To Put e-mail Address On Form 8633</u></b>                | <b><u>81</u></b>                   | <b><u>81</u></b>                   | <b><u>81</u></b>                   | <b><u>72</u></b>                   |



## Other Measures Among *e-file* Users

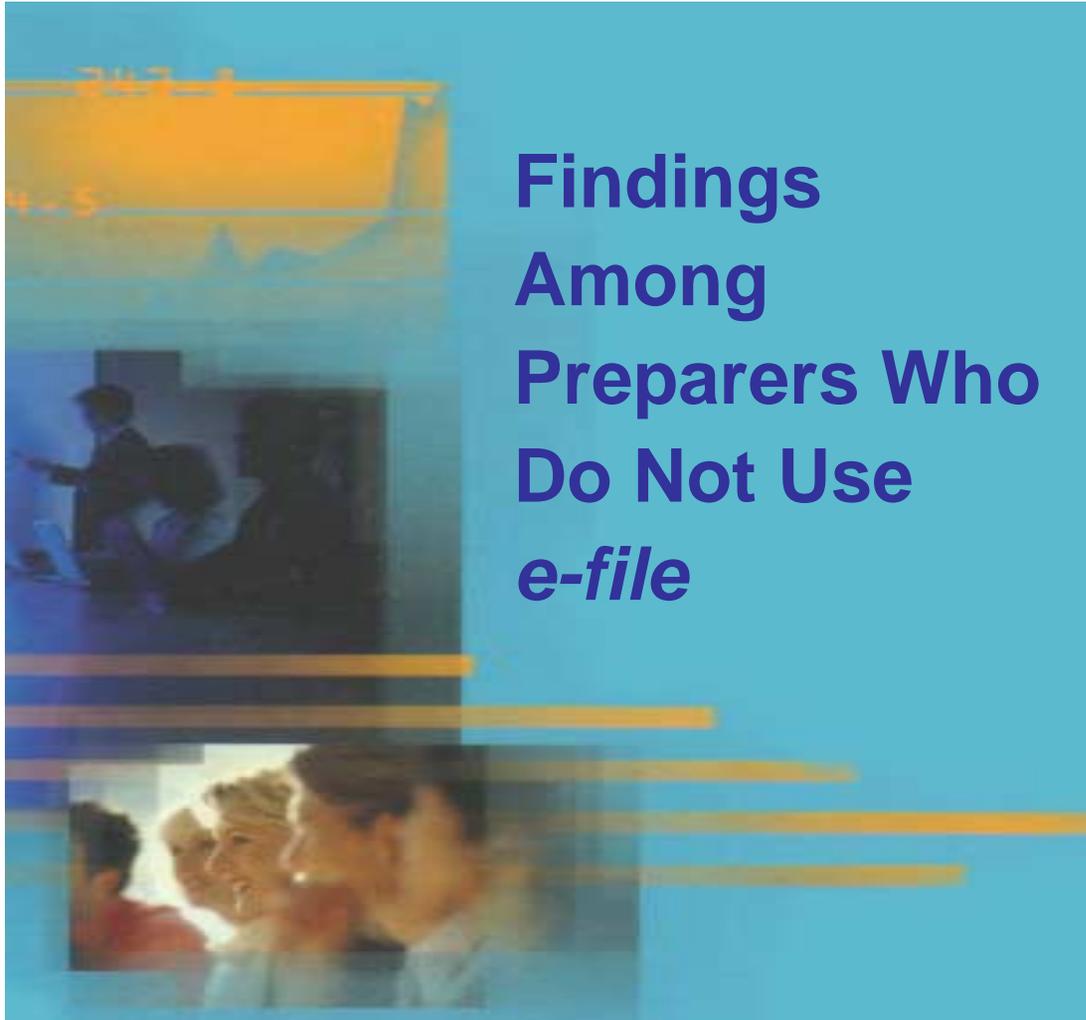
## Users Are Generally Satisfied With The Suitability Process

- While ratings of “very satisfied” with the Suitability process dropped sharply this year among Users, most of the difference went into the “don’t know” column – with no real increase in dissatisfaction. Top points of dissatisfaction were the same as last year and are shown in the box to the right.

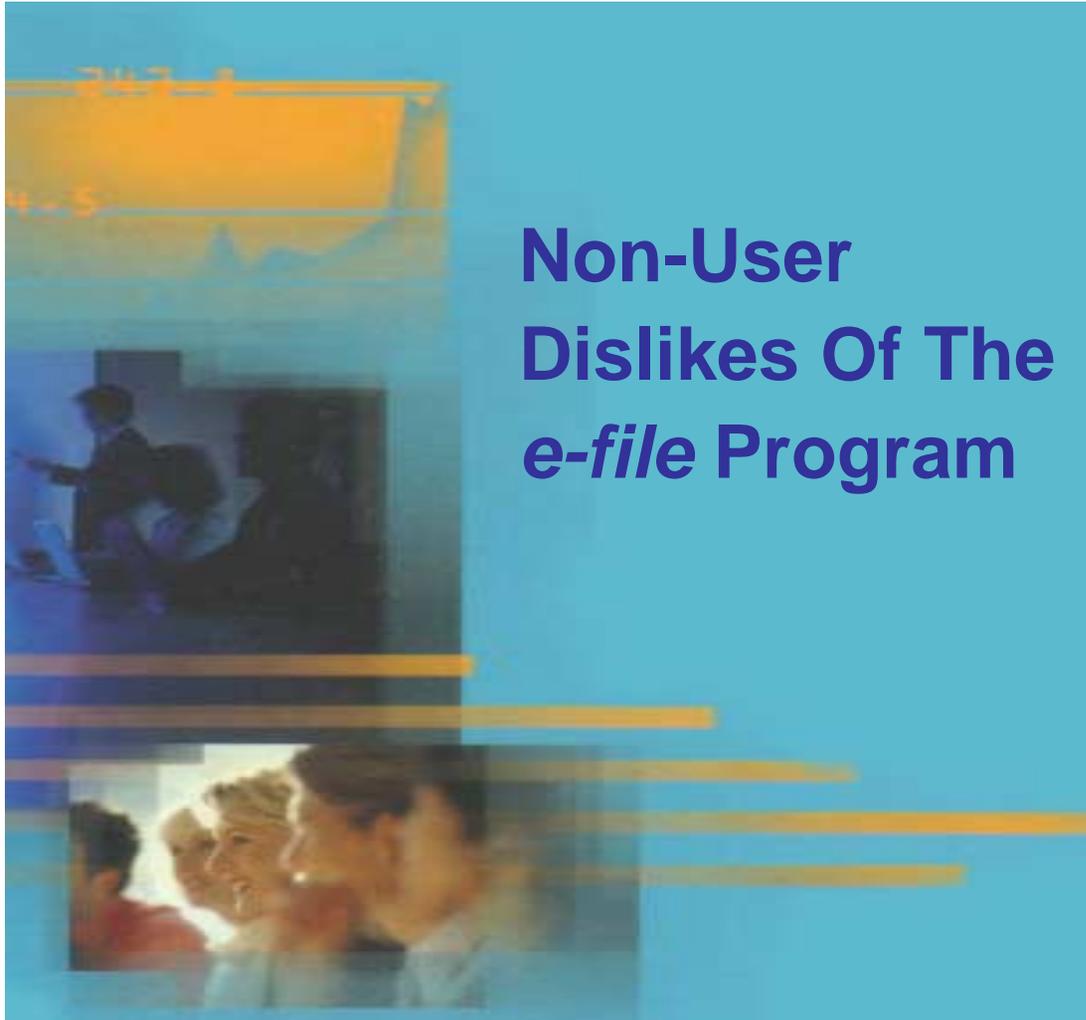


### Main Reasons Why Not “Very” Satisfied In 2002

- Didn't Know EFIN Was Activated Until January Processing Start-Up
- Knew EFIN Was Activated, But Could Not Transmit
- Called Andover Service Center About Suitability Standing, But Could Not Get An Answer
- Too Time Consuming
- Dislike Fingerprint Process



**Findings  
Among  
Preparers Who  
Do Not Use  
*e-file***



**Non-User  
Dislikes Of The  
*e-file* Program**

## Why Are Non-Users Not As Involved In The e-file Program?

- We ask Non-Users for their dislikes of the *e-file* program and, while about three-fourths mention something each year, **the only outstanding dislike which has emerged across the four waves** relates to Non-Users believing **e-file involves too much work or is complicated/difficult to learn** and claiming that there is a **lack of client demand**.

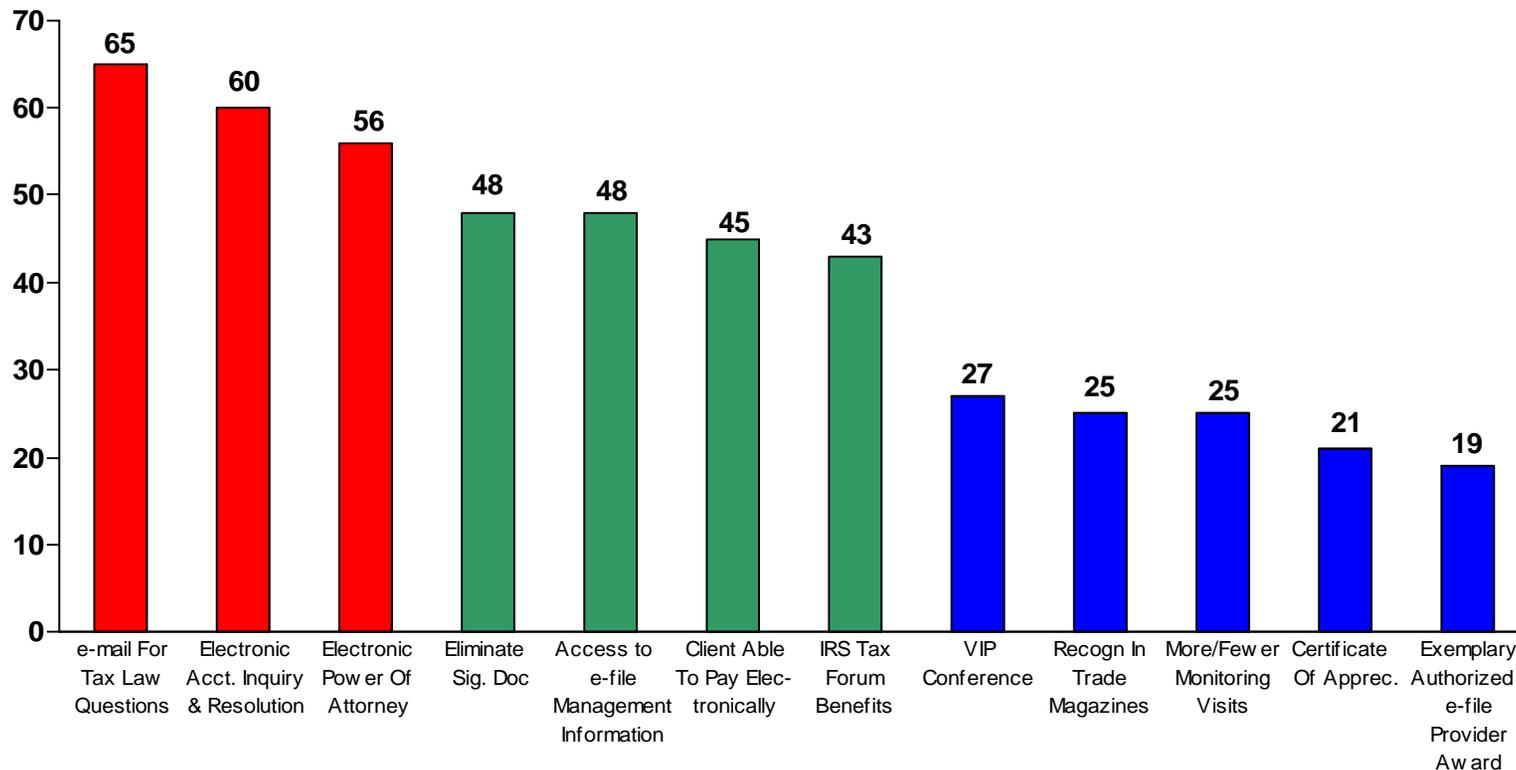
|   | 1999<br><u>e-file NON-<br/>USERS</u> | 2000<br><u>e-file NON-<br/>USERS</u> | 2001<br><u>e-file NON-<br/>USERS</u> | 2002<br><u>e-file NON-<br/>USERS</u> |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| BASE:   | 504<br>%                             | 358<br>%                             | 180<br>%                             | 500<br>%                             |
| <u>Dislike Something</u>                            | <u>51</u>                            | <u>72</u>                            | <u>74</u>                            | <u>74</u>                            |
| <b><u>Too Much Work/Too Difficult</u></b>           | <b><u>17</u></b>                     | <b><u>26</u></b>                     | <b><u>33</u></b>                     | <b><u>22</u></b>                     |
| Causes Too Much Work                                | 7                                    | 12                                   | 6                                    | 7                                    |
| It's Too Complicated/Difficult                      | 6                                    | 11                                   | 8                                    | 4                                    |
| It's Difficult To Get Started/To Learn How To Do It | 4                                    | 3                                    | 4                                    | 3                                    |
| <b><u>My Clients Don't Ask For/Want It</u></b>      | <b><u>6</u></b>                      | <b><u>10</u></b>                     | <b><u>8</u></b>                      | <b><u>14</u></b>                     |
| The Fees Are Too Expensive                          | 11                                   | 5                                    | 3                                    | 9                                    |
| It's Not User-Friendly/Full Of Problems             | 3                                    | 4                                    | 2                                    | 1                                    |
| There's Trouble In Transmissions                    | 2                                    | 4                                    | 0                                    | 1                                    |
| The Software Costs Too Much                         | 6                                    | 3                                    | 1                                    | 2                                    |



**Non-User  
Interest In  
Incentives,  
Awards &  
Services**

## Non-Users Are More Interested In Functional Incentives

- Finally, in terms of how the IRS can interest Non-Users in use of *e-file*, we found **higher interest in 2002 in several of the purely functional/practical incentives**, with clearly lower interest in emotional incentives such as recognition/certificates/awards.





# Summary And Conclusions From The 2002 Wave Of Satisfaction Research

## What Did We Learn About Taxpayers & e-file?

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Overall, we saw very little change from last year...

1. There was again **high satisfaction with e-file among Users** (about 80%+ for each product).
2. **But, still, a need for improvement.** For...
  - **e-file via a Tax Professional** -- *make it less expensive.*
  - **On-Line Filing** -- *make it simpler/easier and less expensive.*
  - **TeleFile** -- *expand the qualification for it.*
  - **For all products** –
    - *Continue to improve public perceptions of accuracy and privacy/security.*

## What Did We Learn About Taxpayers & e-file? (Cont'd.)

3. Among Non-Users, who are skeptical of *e-file*, main barriers to use were similar to those we found in past waves of Satisfaction research and in the related Barriers research -- lack of knowledge and access, followed by cost and trust/privacy/security issues.
4. As needs for improvement and barriers are addressed, it must be kept in mind that the ETA products also have clear perceptual strengths which should be supported – speed, ease of use, and accuracy, and (in learning from the latest wave) ability to make payments electronically.
5. There continues to be a high level of V-Coding (28% among Paper Filers) -- though this IS being addressed by current communications.
6. Finally for Taxpayers, we continue to see increases in HH Internet access – which seems promising in terms of future use of *e-file*.

## What Did We Learn About Tax Preparers & e-file?

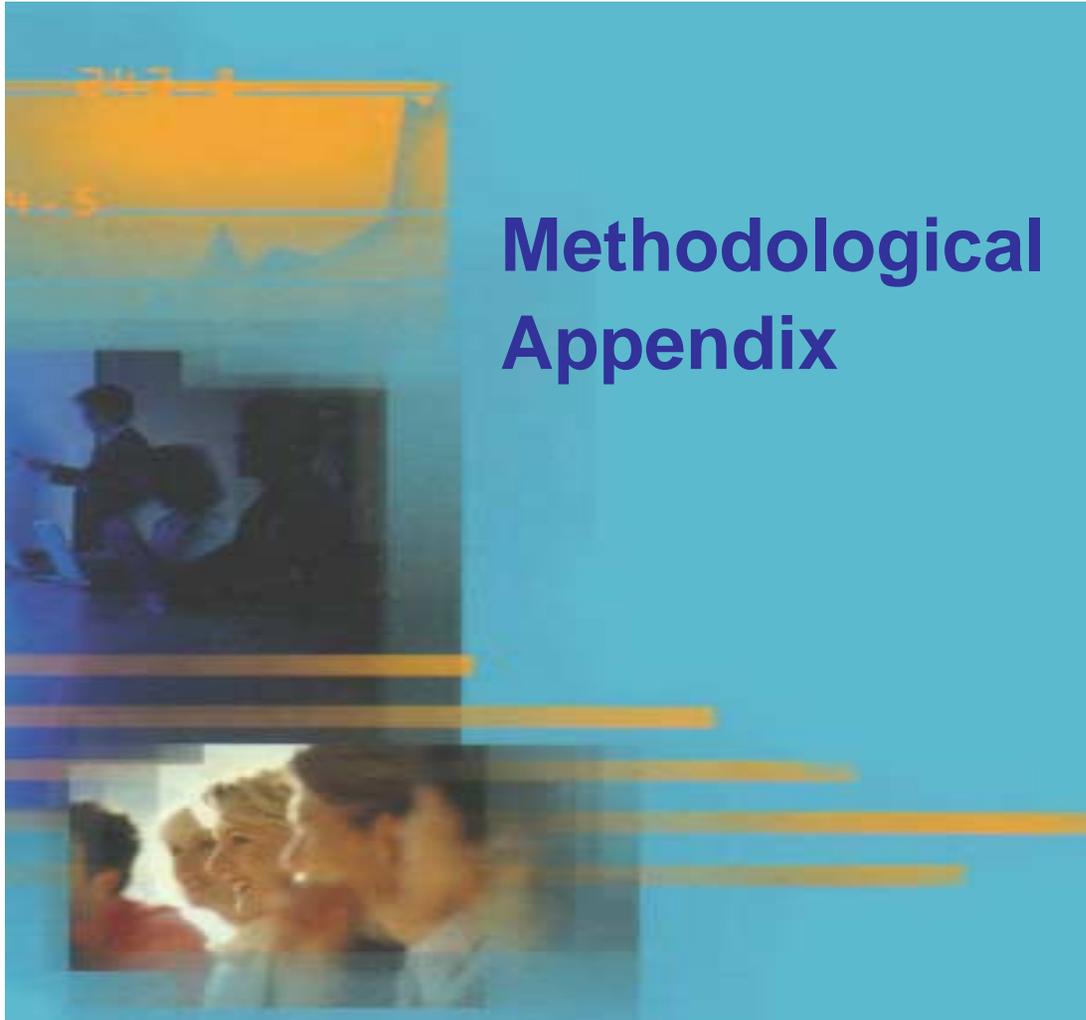
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1. Preparer results were also similar to last year, with clear differences between e-file Users and Non-Users in terms of volume of filings and level of involvement with the IRS.
2. Users and Non-Users still have very different levels of involvement in the e-file program -- with Users more likely to see e-file as a product and more likely to be aware of the details of the e-file program.
  - While overall User satisfaction with e-file was very similar to what we found last year (85% satisfied), the top-box “very satisfied” score was lower.
3. We saw again that the same drivers which bring Users into the program also keep them there – these are: *customers liking it, speed, keeps costs down, ease/convenience, along with a sense that e-file is “the future” and that it “helps (them) keep up with the competition”.*

## What Did We Learn About Tax Preparers & e-file? (Cont'd.)

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4. In analyzing why Non-Users are not using e-file, we again feel that non-usage is due to a combination of factors –
  1. *Who they are -- they're smaller-volume Preparers.*
  2. *Their lower involvement with the IRS.*
  3. *Their lack of understanding of e-file.*
  4. *And their perception that it means more work for them.*
  
5. Finally, in terms of how the IRS can interest Non-Users in use of e-file, we found highest interest in the more functional/practical incentives that we presented to them (*e-mail For Tax Law Questions, Electronic Account Inquiry & Resolution, and Electronic Power Of Attorney*) -- with far lower interest in the more emotional incentives of awards, certificates, and recognition.



## Methodological Appendix

## Methodological Appendix

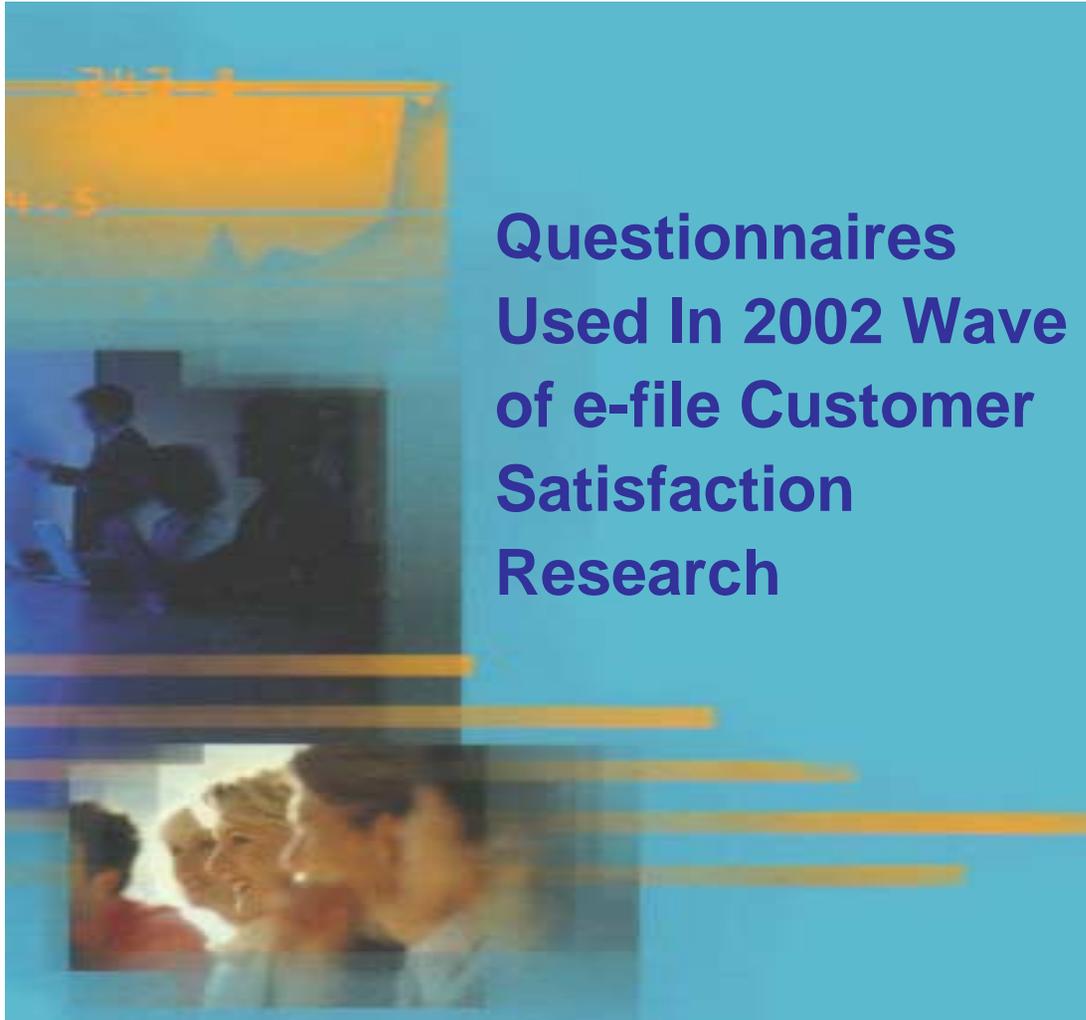
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- Each wave of the study is conducted by telephone from RMR's national interviewing facility in Wayne, NJ and consists of...
  - Separate samples of Taxpayers and Preparers...
    - **Taxpayers**: a nationally representative Random Sample of approximately 1000 U.S. Taxpayers each year, drawn from a computer-generated random digit dialing (RDD) sample of listed and unlisted telephone households.
      - ◆ The Random Sample in 2002 yielded a total of 407 *e-file* Users across the three *e-file* products.
      - ◆ The User group for each ETA product was then augmented to assure readable samples of approximately 500 Users of each e-file product type.
    - **Preparers**: a total of 1001 Preparers were interviewed from lists provided by the IRS, with Users drawn from the Applicants Database while Non-Users were drawn from both the ADB and the IRS's Master File of Practitioners..
      - ◆ 501 of the sample were *e-file* Users.
      - ◆ And 500 were *e-file* Non-Users.
- This wave of the study was conducted during the period of January 28 to March 5, 2002.

## Methodological Appendix (Cont'd.)

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- Taxpayers interviews are conducted during evening hours (5--9 p.m. in each time zone), with the interview averaging about 15 minutes per respondent.
- Preparer interviews are conducted during daytime/business hours (10 a.m. -- 5 p.m. in each time zone) and also average about 15 minutes each.
- To qualify for the study...
  - Taxpayers have to be ages 18-64, employed, and must have filed taxes in the previous tax year (in this year's case -- 2001 for tax year 2000).
  - Preparers have to simply be active preparers who are either Users or Non-Users of *e-file* products.
- To assure that the survey is representative of each target audience, a high rate of response is achieved:
  - 64% in the case of Taxpayers.
  - And 69% in the case of Preparers.
- In addition, Random Sample data are weighted to reflect the previous year's tax filing patterns by filing method. Note: the reported use of filing methods in the survey tends to be naturally close to actual patterns, so weights have only a very minor effect on data.



**Questionnaires  
Used In 2002 Wave  
of e-file Customer  
Satisfaction  
Research**